# The Management Review

SEPTEMBER, 1953

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AMERICAN MANAGEMENT ASSOCIATION

M. J. Dooher, *Editor*; Vivienne Marquis, *Associate Editor*
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The Management Review is published monthly by the American Management Association at 330 West 42nd Street, New York 36, N. Y., at seventy-five cents per copy or six dollars per year. Vol. XLII, No. 9, September, 1953. Entered as second-class matter March 26, 1925, at the Post Office at New York, N. Y. under the Act of March 3, 1879.

Changes of address should be forwarded to the publishers *one month in advance*, and postal unit numbers should be included in all addresses.

The object of the publications of the American Management Association is to place before the members ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

An index to The Management Review is published annually with the December number. The contents are also indexed in the *Industrial Arts Index*.

Volume XLII No. 9

SEPTEMBER, 1953

# The Management Review

## A Partial List of Contents

# General Management

## THE FORGOTTEN FACTOR IN EXECUTIVE MORALE

UNLIKE other professions which are older and which have held their honored positions in our society for hundreds of years, we in business are, to some extent, a profession without a tradition or a past. We have no patron saint and no oath hallowed by centuries of devotion. Yet the fact is that the business executive's part in our national development has been as profound—and far more lasting—than the exploits of the warriors and the makers of laws. The America we know today—its high living standards, its strength, its position as a world power—would literally have been impossible to achieve without the executive function. Our living standard and our strength arise out of our ability to produce. And production in the required quantity, quality, and price depends on having enough competent executive talent to tie the diverse ends together and weld them into an effective machine.

But what are we doing to fill the pipelines of executive talent? What are we going to do to assure that the executives of the future will continue to come along as fast as we need them? If this country is going to continue to be one of the strongest and most dynamic forces the world has ever seen, we are going to need leaders badly. The question is, what *incentives* are we going to use to insure an adequate supply?

Human incentives are simple, and relatively few in number. Most of us derive personal satisfaction from a knowledge that we have done our best, and some would consider this inner satisfaction an adequate reward. Some strive for the prestige success will bring, for the admiration and respect of their fellow men. Some work for power and the influence so obtained over the lives and activities of others. But for most of us, the strongest and most desirable incentive of all is financial gain—not, of course, in money itself, but because of what one can do with it.

Much has been said about the vulgarity of the money motive, but I doubt if one could find a cleaner or more honest basis for rewarding superior performance. A desire for power is surely less worthy, and I cannot believe that efforts simply to win the admiration of the crowd are ethically more desirable.

Many substitutes for financial incentive have been tried in other countries. In England there are titles; elsewhere much is made of social distinction or of personal prerogative. Some of these are relatively harmless; others are to us merely distasteful; none of them is in harmony with our democratic society.

Business, for the most part, has little to offer in the way of comparable intangibles. With the exception of a few glamor jobs, even top executives of vast ability remain relatively unknown outside their own field. By its very nature, business is largely anonymous—it is a team effort with few featured performers. Business people work hard and have little time for outside activities. There are no medals, decorations, stripes, uniforms, or grandiose titles. The strongest inducement business can provide is financial reward.

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And if not money, what? Many companies have explored the possibilities of non-monetary incentives as executive reward. Some of these seem to be simply compensation in disguise and many encounter adverse tax interpretations later on. Others, such as longer vacations, are transplanted from other fields and may or may not prove adaptable to the business climate. The nice thing about money is that it has such a wide circle of admirers. People spend it in different ways but its appeal is generally the same.

I don't think the same will apply to non-monetary rewards, for human nature is often perverse and what fascinates Peter may bore Paul. So while I hope for the best for management's experiments with various types of non-financial incentives, in the long run I am afraid we must look elsewhere. I believe that the only solution, if there is a solution, will appear through enhancing the prestige of an executive career.

This is not a feat to be accomplished by superficial and artificial means. It cannot be achieved by bestowing synthetic honors or by making pious speeches.

No, prestige comparable to the prestige attached to older and more traditional professions can really come only from within. What the world thinks about us is usually a reflection, in some degree, of what we think about ourselves.

Could it be that behind the confident exterior of the business executive is an apologetic question mark? If so, it is high time that business shed its inferiority complex and take its rightful place in the ranks of other honored professions. The older and more established callings have done much for the improvement of mankind, and continue to do so. There is no disparagement in the reflection that none has ever accomplished so much in so short a time.

I like to think that business as a profession has come of age, and its members can now stand before the world as practitioners of a difficult and complex art, without which the world would be the poorer.

Prestige for this new profession will come, I know. It will come as people begin to understand and appreciate the contribution of business to the social, cultural, and spiritual advancement of our country.

The executive must take real pride in his accomplishments. He must share that pride with his associates, his family. He has every reason to be proud. If he is to enlarge the scope of his profession and insure its future, he must communicate that pride to all the world.

—CRAWFORD H. GREENEWALT. *Dun's Review and Modern Industry*, August, 1953, p. 37:8.

## *Industry's Current Expansion Plans—A Survey*

OF 317 INDUSTRIAL FIRMS replying in a recent *Mill & Factory* survey, 91 per cent expressed the belief that present industrial capacity in this country is adequate for current needs. Forty per cent felt that present capacity is generally overexpanded in view of current markets; only 8 per cent saw no overexpansion in any sector of industrial capacity.

However, 40 per cent of the respondents indicated intentions to expand their own facilities within the next year; of these, 42 per cent plan to invest more than $100,000 for the purpose. Expansion will involve enlarging existing facilities in 55 per cent of the cases; building additional structures, in 36 per cent; and adding new or improved tools and equipment, in 70 per cent.

# HELP YOURSELF TO STABILITY

THE NEXT economic setback—if we are destined to have another—will have had more advance billing than almost any other phenomenon in American history.

The prophets of doom, who began to herald the coming of a severe contraction in business as early as 1945, might have seen their predictions come true long ago if business executives had not been on their toes to deal with maladjustments, disparities, and accumulated inefficiencies in their own bailiwicks. Together, their piecemeal remedial efforts strengthened the national economy.

Confident that trouble is not foreordained, practical businessmen place their faith today in forward-looking action. This approach recognizes the inevitability of fluctuations resulting from shifts in consumer taste, in technology, and in government policy. It is based on the faith that our economic fate is in our own hands.

The task of early adjustment to change should be carried on concurrently by business and government. In this joint effort, the businessman's role may be summed up as follows:

*First,* don't become overburdened with debt in boom times. You'll avoid trouble and be able to take advantage of investment opportunities in periods of recession. Short-term bank loans might be funded into longer maturities, partly by replacing ordinary bank loans with longer-term obligations. Selling stock, where this can be done on attractive terms, would tend to improve the capital structure of your company and heighten its capacity to survive possible financial squalls. The prudent manager, in planning a sound capital structure, especially with respect to the liquidity and availability of working capital, is prepared for temporary rough going.

*Second,* check terms of consumer credit and charge accounts. Deal promptly with delinquencies. Federal Reserve officials have expressed concern over the persistent rapid growth in private indebtedness, notably in consumer and mortgage debt. While the consumer credit situation probably won't cause an adverse turn in the economy, it could act as a contributing factor when and if deterioration is permitted to occur as a result of other influences.

*Third,* limit your exposure to risk and uncertainty whenever possible. Specifically, this can be done through avoiding the temptation to speculate in raw materials and in an excess supply of finished products.

*Fourth,* if your company is involved in defense orders, formulate a blueprint for prompt reconversion to civilian products as a means of employing manpower and tools released when armament production tapers off.

*Fifth,* encourage an aggressive research and exploration staff. If technology remains static, the spectre of overproduction becomes a serious threat. The hope for high productivity lies in the dynamic trend of developing new and better products. The improvement factor, plus the population growth trend, has repeatedly lifted business out of temporary slumps.

*Sixth,* cultivate the art of selling. This will become increasingly important as business becomes more competitive after the rearmament peak. There was a time when wisecrackers wanted optimism from the sales staff and pessimism from the credit department. But this distinction

no longer holds; even the credit manager is expected to be sales-minded.

One of the deteriorating factors on the economic scene in the post-war years has been the progress made in overcoming shortages and in the fulfillment of pent-up demand for goods. In looking for markets which have not been saturated, the sales-minded should not skip over the fixed-income groups at home—the unorganized white-collar workers, the self-employed, those living on pensions, annuities, insurance remittances, and bond interest. A reversal of the inflationary tendencies which have victimized the fixed-income groups would improve the buying power of this substantial minority.

The progressive businessman is the great upsetter on the contemporary scene. He is perpetually dissatisfied with existing products, tools, and production techniques. He knows that change is inevitable—but he knows, too, that practical wisdom and foresight and some planned leeway for contingencies can again make monkeys of the prophets of doom who underestimate man's capacity to overcome obstacles.

—MERRYLE S. RUKEYSER. *Nation's Business*, June, 1953, p. 48:4.

## *Taxes—Another Cause of Business Failures*

BUSINESS FAILURES this year are running 9 per cent heavier than last year. If the present accelerated rate is continued, the year 1953 will approximate the record of 1949 and 1950, and may even approach the relatively high rate that existed in the late '30s and early '40s.

The obvious warning signal flashed by these figures is already being heeded by every business man. Closer checks at all levels of operation are being made on collections and credit extensions.

But there is another point which may been having a far more important bearing on the rising failure trend than is generally realized, and that is Uncle Sam's tax collection policies. In other years, taxes on the previous year's earnings were payable into the federal treasury in four equal quarterly installments. When the government found itself pinched for funds, it persuaded Congress to pass a law accelerating this collection schedule with a view to collecting the entire amount in the first six months of the year. This has been done in "5 per cent steps" until now the tax installments are on a 40-40-10-10 basis. By 1955, half the total due must be paid in the first quarter, the remaining half in the second.

For years it has been customary for many firms, particularly smaller ones, to use accumulated tax funds to finance their business for a few months. It may not have been the best possible business management, but it did provide needed capital for short periods of time.

The change in collection policy did not add one penny to the Treasury's "take," but it has worked a hardship on small business. If the trend toward increased failures continues, the government might do well to consider returning to its former collection method.

—*The Biddle Survey* 8/11/53

INDUSTRIAL OUTPUT of the world, excluding the U. S., rose 62 per cent from 1937 to 1951, while that of the U. S. rose 95 per cent in the same period.

—The Twentieth Century Fund

# TOP MANAGEMENT'S ROLE IN INDUSTRIAL RESEARCH

MANAGEMENT'S responsibility to stimulate research and product development is directly related to its obligation to provide an adequate return for the stockholder and a good product for the customer. If any company expects to remain in the forefront of modern industry, it must make research an integral member of the corporate team. In establishing an effective research program, management should consider these important areas:

*Providing the proper climate for research.* Management's first obligation in this regard is to provide good research direction, preferably from someone within the organization who has a broad view of the company's products and understands and respects the type of people assigned to research work.

The second obligation is to provide a good working environment and suitable facilities. Laboratories should be close to the plant, to permit frequent contact with key sales, production, and service personnel.

The third obligation is to provide an adequate security and compensation structure. Men and women dedicated to research work should have a free mind with respect to financial matters.

The fourth obligation is to provide the research director with reasonable authority to exercise initiative within his budget He must be free to start and stop certain projects at any time without too much red tape.

Management's fifth obligation is to be reconciled to slow but steady progress. Setbacks, along with useful results, should be expected.

In addition to assuming these obligations, management should take certain precautions. Since many research men will want to do everything in their own laboratories, it is wise to look carefully into testing laboratories, universities, and private and public research organizations, which may be able to do a better job at less cost. Second, to insure the best possible patent coverage, adequate records of all research and development work, particularly in connection with invention, should be kept. Finally, cost records should be properly maintained so that management can know at all times how much is being spent, not on individual elements but on research projects as a whole.

*Determining areas of desirable research.* It is essential to have a well-defined company policy setting down the broad aims for research. Under such a policy two questions would be answered before any research project is undertaken: (1) Is knowledge in the particular field sufficiently developed to give the project promise of success? (2) Is it likely that anticipated results can be profitably commercialized?

An important factor in the research program is the balancing of short-, medium-, and long-term projects. Short-term projects, in general, are a reasonably sure investment, but with a low return. Medium-term projects, which may require three years, have a fairly sure return, and provide a higher yield. Long-term projects, of five years or more, are not so sure, but in some cases may yield a return as high as ten to one. The objective should be to spread the investment

in research projects to provide the best average return.

*Employee Participation.* It is extremely important that employee suggestions—whether they involve a manufacturing process improvement or one concerned with the product—be treated with promptness and respect. In most cases, all the employee requires is to be made to realize that even some very small idea, which may seem self-evident to him, may be a valuable contribution not only to his company and its product but to industry in general.

All company departments can be sources for product improvement, especially the sales and service departments, whose personnel are in the best position to observe the merits and faults of the company's products, as well as those of its competitors.

*Incentives for development of research thinking.* Approaches to the problem of providing incentives for development of research thinking are many and varied. Most companies feel that since research is the work the research staff is paid to do, no incentive payment should be given for product ideas. In providing the laboratory and facilities, as well as financing even unsuccessful projects, companies can readily justify this view.

However, when a formal suggestion system is used to stimulate research thinking, companies usually provide a stipulated payment for acceptable ideas. Salary adjustments or promotion may result if the suggestions are of major importance or are worth while and frequent.

When a company follows the practice of patenting any idea that may look good, the suggestor may be given a percentage of the sales for a limited period. Also, many companies are now paying a fee to their inventors when a patent is issued.

Another form of incentive lies in placing the research department on a par with the other operating departments. The director of research should report to the same official, usually the company president, as do the other department heads. It follows that the research department should be a member of major company committees or represented on the board. This provides research with first-line information on top decisions, based on an exchange of views with sales, top management, and production.

Finally, properly encouraged active membership in technical societies and trade associations is definitely an incentive for the development of research thinking. Technical societies and trade associations set up standards and disseminate information on latest developments in their particular fields. At times they assist in, or actually perform, research. These functions supply business with much information which would not otherwise be available to them.

—From an address by W. F. Rockwell, Jr., before the American Society of Mechanical Engineers.

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The best things come, as a general thing, from the talents that are members of a group; every man works better when he has companions working in the same line, and yielding to the stimulus of suggestion, comparison, emulation. Great things of course have been done by solitary workers; but they have usually been done with double the pains they would have cost if they had been produced in more genial circumstances. The solitary worker loses the profit of example and discussion.

—Henry James

# COMMUNITY DRIVES WELCOME NEW INDUSTRY

ORGANIZED EFFORTS to woo industry, which are currently underway in a large number of communities throughout the United States, are paying big dividends—both to the communities that are putting out the welcome mat to new industry and to the companies that are relocating there as a result. The benefits to management of locating in a community which has taken organized action to promote an atmosphere which is favorable to industrial growth are many—and may include, among others, local tax inducements, trained labor pools, well-organized fire and police protection, good utilities service, water supply, etc., and an overall community attitude which is positive from the outset.

The benefits to the sponsoring community are, of course, also substantial. Here's what welcome-industry or "area development" drives have accomplished in a number of typical instances:

*Made* jobs for 343,300 persons; added $1.5 billion in value of manufacture in New England.

*Created* 9,000 new jobs in 39 firms and added $11.3 million in new annual pay roll in Wilkes-Barre, Pa.

*Produced* some 225 new jobs and a new $160,000 plant for Hillsboro, N. H.

*Added* about $1.8 billion in new plant and expansion since V-J Day; another $300 million in planned expansion or improvement added thus far in 1953 for Cleveland.

A city or town doesn't have to be on the skids to feel the need for development. Cleveland, after World War II, was a bustling metalworking town with no depression in sight. But a lot of former defense-work manufacturing space was due to be open. So the Cleveland Electric Illuminating Co. began what has become its "Best Location in the Nation" campaign. CEI cited the results in the fourth example above.

Other towns, like Wilkes-Barre, Pa., have found themselves a one-industry town, and that industry declining. In Wilkes-Barre it was the anthracite coal mining industry. In 1930, 61,114 mine employees produced 27.5 million tons of anthracite in area mines. In 1951, tonnage dropped to 14.9 million tons and mine jobs in 1953 are estimated at 27,850.

The Greater Wilkes-Barre Industrial Development Fund was formed in 1940 to help counteract the job trend. Through the use of a $350,000 fund in erecting new plants, the results cited in the second example above were achieved. In 1952 "Operation Jobs" was begun under leadership of a Committee of 100. Its efforts have brought 14 new industries to greater Wilkes-Barre, and 12 established firms have expanded within 18 months.

How did they do it? The Committee of 100 raised $727,000 in free, unrestricted contributions for industrial development purposes. Vocational training facilities are being expanded to provide a pool of skilled workers. A choice 1,300-acre tract is being developed into industrial sites. All segments of Wilkes-Barre have been enlisted in a drive to create a favorable atmosphere for industrial growth.

Many other towns and areas have put on similar campaigns—Detroit, Birmingham, Los Angeles—and each can point to concrete and encouraging results. Industry, they found, likes to be wanted. Statewide campaigns do not seem to pack the same punch as these local efforts.

A word of caution to companies to

whom welcome campaigns are being directed: Don't be enticed into a town through some special inducement when that town cannot support your business over the long haul. Too often you will find yourself paying exorbitant taxes later. Ask yourself: Does the local government favor industrial development? Does the "community mind" favor your presence as enthusiastically as the promoter with whom you're dealing?

A further word of advice: So successful have been these local campaigns in providing suitable plant sites and a favorable atmosphere that some communities have gone too far, perhaps, to make themselves attractive. In those areas, industrial investment funds for building and equipment are underwritten by municipal or county governments. Usually such schemes arise where local conditions are not favorable for new industry under existing conditions. That twists a basic tenet of the area development movement. The area development movement is not an effort to sell a refrigerator to an Eskimo. Rather, it is a drive by local areas to discover and brush up their real advantages and resources and make them available to new businesses.

Such local communities are acting on their belief that U. S. industry is going to continue to grow. They're doing all they can to make themselves as attractive as possible to this new growth. And it's paying off.

—*Steel*, September 14, 1953, p. 66:2.

## *Carrying Through on Company Policies*

MORE OFTEN than management knows, its policies in one area may be in conflict with those established elsewhere in the organization or with the day-to-day realities of company practice. Indeed, such inconsistency is almost inevitable when policy decisions are reached without careful consideration of all the areas that may be affected, directly or indirectly.

The importance of consistency is underscored by Charles E. Redfield in his recent book *Communication in Management*:*

"Orders must be consistent with the known objectives of the organization and with its other activities, including its reports. Since an order reflects management's interest in a certain subject, management must interest itself in reports about that subject. It would be inconsistent to set up a suggestion system and then not have the best possible machinery for investigating suggestions.

"Similarly, the assurance of an open-door policy in an employee handbook requires that the door really be open and not barricaded by secretaries, lines of callers, or even by expensive furnishings that frighten subordinates into not entering or overwhelm them into saying nothing when they do. The president of one firm has gone so far as to get rid of his desk, which he calls 'the great dais that important men sit behind.' Ultimately, of course, the lack of a desk may become the very status symbol that he seeks to avoid."

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* University of Chicago Press, 1953. 290 pages. $3.75.

TO THE POINT: Secretary of the Treasury Humphrey requires his aides to give him sharp, concise reports on a single sheet of paper, typewritten and double-spaced. Reports of this type, which provide a quick view of a problem, might be adapted to private business to expedite planning.

—*Nation's Business* 4/53

## *Moving South: Sure Way to Cut Costs?*

MANUFACTURERS should appraise future—not past—differentials between northern and southern wage rates, labor productivity, taxes, and construction costs before moving south, according to a study by John Tomb of McKinsey & Company, reported in the September-October issue of the *Harvard Business Review*.

Industrialization of the South, Mr. Tomb asserts, is reducing differentials in wages, taxes, and other costs of running a business to such an extent that manufacturers who move there to lower their operating costs may find that the advantage has disappeared by the time relocation is completed.

Southern labor and tax costs are often higher than most people realize, Mr. Tomb points out. In a number of cases cited in the article, southern wage rates actually exceed northern levels. For example, recent U. S. Department of Labor figures show the average hourly earnings of production workers in Manchester, N. H.; Portland, Maine; or Lancaster and York, Pa. to be lower than pay levels in Birmingham and Memphis. Likewise, clerical pay rates in Buffalo or Philadelphia are below the levels for Atlanta or Houston.

Cautioning against the conclusion that plant relocation in the South is undesirable, Mr. Tomb declares: ". . . The facts indicate that plant relocation is *not* an open-and-shut case, which so many people have assumed it to be. Actually, determining whether plant relocation will increase profits necessitates a careful study of all the factors involved in each individual case."

# Also Recommended • • •

**PUTTING YOUR PROBLEMS THROUGH COLLEGE.** *Modern Industry* (99 Church Street, New York 8, N. Y.), July 15, 1953. 50 cents. A concise survey of the aids that are available at various colleges and universities throughout the U. S. to companies with special problems and inadequate facilities for readily solving them. The services described range from marketing-research projects and community business analyses to such specialized production research as the development of an improved stopper-head for steel ladles. Profusely illustrated.

**BUSINESS SERVICE IN PUBLIC LIBRARIES.** By Edward H. Fenner. *Special Libraries* (31 East 10 Street, New York 3, N. Y.), July-August, 1953. 75 cents. Approximately 70 public libraries in the U. S. offer specialized business services, according to this article, which describes some important "business departments" maintained by particular libraries and describes the kinds of service available. Most outstanding example: the Economics Division of the New York Public Library, which comprises a separate collection of 600,000 volumes; draws upon five other divisions of the library in providing a wide range of services to business (and labor) organizations.

**CAN THEY PUT THE WORLD'S BIGGEST BUSINESS OUT OF BUSINESS?** By R. M. Winters. *Commerce* (1 North LaSalle Street, Chicago 2, Ill.), July, 1953. 35 cents. Commenting on the future prospects of the current "back-to-private-enterprise" movement, the author outlines the scope of government business operations and points out the areas where they are likely to be curtailed under the present Administration. He suggests that the Federal Government need not and should not compete with private industry in such fields as electric power, atomic energy, and the production of fertilizer, coffee, floor wax, rope, and weapons.

**CAN MANAGEMENT BE MANAGED?** By Perrin Stryker. *Fortune* (9 Rockefeller Plaza, New York 20, N. Y.), July, 1953. $1.25. Traces the growth of interest in organization planning as a specialized management technique and illustrates the types of problems it can help solve, such as defining executive authority and responsibility, with examples from staff reorganizations carried out in such companies as General Electric and Westinghouse. Along with some limitations, the author finds many virtues in long-range organization planning as a means of "managing management."

**WHAT BECAME OF THE INDEPENDENT SPIRIT?** By Clark Kerr. *Fortune* (9 Rockefeller Plaza, New York 20, N. Y.), July, 1953. $1.25. A well-known economist, educator, and labor mediator believes we are witnessing a "tragic decline of the historic American belief in the independent mind and the independent spirit." The decline has been brought about, he argues, by demands for total allegiance to the Organization—especially the corporation and the union.

**IS SMALL BUSINESS ON THE WAY OUT?** By J. L. Simon. *Challenge Magazine* (32 Broadway, New York 4, N. Y.), September, 1953. 20 cents. Despite increasing signs that economic concentration is mounting, the independent retailer is holding his own with the chain store, this article points out. Over 90 per cent of the 4 million U. S. concerns now in business are "small" by any definition, the author asserts; and while these enterprises play a vital role in providing the consumer with a wide choice of goods and services, helping to distribute the ownership of capital more widely, and keeping alive the competitive market, their mortality rate must somehow be reduced if small business is to remain the backbone of the American economic system.

**INDUSTRY BIDS FOR ATOMIC POWER.** By James W. Irwin. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), July-August, 1953. Examining the pros and cons of private ownership of atomic power facilities, the author concludes that the time now seems appropriate and the climate of public thinking just about right to entrust the future development of atomic energy to business. He discusses some of the key problems of public policy, security, finance, etc., entailed by private ownership and describes the efforts of certain individuals and companies toward this end.

**ANALYZING YOUR GOVERNMENT CONTRACT.** By Margaret S. Geisler. *Management Aids for Small Business* (Small Defense Plants Administration, Washington 25, D. C.) No. 29. Gratis. Designed to alert the small business man to some of the problems arising from provisions contained in his government contract, this leaflet describes the various types of contracts used, lists five questions the contractor should consider before preparing to bid, and outlines the terms and conditions of the invitation and bid. The author stresses the importance of checking carefully all the provisions contained in the contract, and lists several sources from which the contractor can obtain help on specific contract questions.

**SHOULD THE U. S. LOWER TARIFFS ON MANUFACTURED PRODUCTS?** *Modern Industry* (232 Madison Avenue, New York 16, N. Y.), May 15, 1953. Arguing in favor of lower tariffs on manufactured products, John S. Coleman, President of Burroughs Adding Machine Company, maintains that the American economy is so strong it need not crouch behind tariff barriers and that their modification would enable foreign countries to be less dependent on aid and loans from American taxpayers. The opposite view is presented by H. Wickliffe Rose, President, American Tariff League, who maintains that, as long as we have price supports, tariffs are needed to keep the foreign producer from dominating our markets. The abolition of tariffs, he contends, would not raise imports enough to solve the foreign-aid problem.

**WORTH-WHILE PLANT VISITS.** By Robert G. Silbar. *Printers' Ink* (205 East 42 Street, New York 17, N. Y.), July 24, 1953. 25 cents. In order to dramatize the role of its plants in the community, General Motors has prepared a handbook for its divisions to use in planning plant tours for the public. The booklet, which is quoted and paraphrased in this article, gives numerous practical pointers on the most effective ways of informing the public on topics the company has found to be of greatest general interest: employee facilities, production efficiency, incentives, and general business policies.

**HOW "BUSY" ARE YOUR KEY MEN?** By W. E. Dewey. *Factory Management and Maintenance* (McGraw-Hill Publishing Company, Inc., 330 West 42 Street, New York 36, N. Y.), July, 1953. When one company analyzed how 20 of its key men were spending their time, it made some startling discoveries about how some executives organized their work, while others—who appeared equally busy—frittered away their own and their associates' time in routine or non-productive activities. Some of the examples, both good and bad, suggest time-saving ideas that any executive can use to advantage.

**A JOB FOR MANAGEMENT: BETTER LABOR RELATIONS.** *Steel* (Penton Building, Cleveland 13, Ohio), September 7, 1953. 50 cents. During the coming months, management has an opportunity to strengthen its position with employees and at the same time achieve tighter work standards, according to this article. Management's best answer to union promises, it suggests, is a positive and consistent program of long-range employee benefits, designed on the basis of regional standards and clearly explained to employees.

## Special Feature

# BUILDING A FUNCTIONAL PERSONNEL BUDGET

### A Practical Tool for Industrial Relations Cost Control

**DALE YODER**
**Director, Industrial Relations Center**
**University of Minnesota**

*Few personnel executives would deny that a detailed and objectively designed budget for industrial relations activities could be of value as a yardstick for planning, justifying and controlling expenditures. In many cases, however, doubt as to the practicability of building such a budget has discouraged its adoption; and where personnel activities* are *budgeted, the allocation of charges is frequently arbitrary and misleading. This article suggests how an accurate and serviceable budget may be constructed for an industrial relations department of any size and describes its use as a practical tool of personnel management.*

ONLY a small proportion of all industrial relations divisions in American industry operate on what can be regarded as a "functional" budget—one that allocates funds to each of the major functions or activities performed or directed by the division. In a 1953 survey of personnel costs and budgets, in which 563 firms from 42 states furnished data on salaries, personnel ratios and overall costs, only 165 could supply detailed information on the costs of providing this staff service for specific industrial relations activities or functions.[1]

On the other hand, many of those who returned questionnaires indicated keen interest in such budgets. They asked for reports on total budgets and detailed costs of such activities as selection, training, labor relations, and wage and salary administration. This attitude was combined in some cases with objections to budgets generally and concern lest the requirement of budgeting might imply skepticism as to the value of staff activities in the personnel field.

Most of the responses were, however, neither critical nor negative. Although only about one-third of those who replied could use the exact classification of functions or activities listed on the questionnaire, many others tried to do so. More than a hundred respondents wrote letters explaining their difficulties or made extensive comments on the margins of their questionnaires.

[1] For a report of other survey findings, see Dale Yoder, Lenore P. Wilson, "Personnel Salaries and Ratios: 1953," PERSONNEL, July, 1953.

Correspondence during and subsequent to the survey, and especially since the discussion of budgets in the February, 1953 AMA Personnel Conference, provides eloquent evidence of the usefulness of carefully planned functional budgets. "We need budget figures to estimate how much our new employee relations department should cost." "I have been told our personnel costs are too high. Are we out of line?" "For the first time, we have been told to budget for 1953." "We are trying to do too much with too little and hope this budget study will prove it." "Our budget is our most effective message to top management." Such are the observations of many of those who participated in the study.

#### WHY BUDGET?

These and other, similar observations suggest the need for budgets that show what the personnel staff does with its money. It is apparent that an operational industrial relations budget can be useful. Such a functional budget, when available, serves many purposes, among which the most important may be summarized as follows:

1. A functional budget lays a sound foundation for requests for financial support, by indicating precisely what activities are included in the over-all industrial relations program and how much each is likely to cost.

2. It provides a "control" or informational device, indicating how funds are expended and the degree to which such expenditures conform to plan.

3. It permits meaningful dollar comparisons of industrial relations costs among firms, thus suggesting possible economies as well as needs for added services and greater financial support.

4. It indicates, by comparison, how staff manpower may be under-utilized and suggests better use of available resources.

5. It facilitates direct cost comparisons for specific activities, thereby suggesting which costs may be out of line.

6. Functional budgeting facilitates necessary expansions or contractions in the employment relations program, indicating the probable costs of added services as well as showing which activities may be reduced or eliminated if support should be reduced.

#### GROSS COMPARISONS OF COSTS AND BUDGETS

These advantages accrue, however, only to those who have functional budgets. They cannot be secured by a comparison of over-all industrial-relations expenditures or average costs per employee. Indeed, any such over-all comparison must be regarded as crude and questionable, primarily because total costs do not represent uniform combinations of functions or activities in reporting firms. Some industrial relations programs include activities that are absent in others. Composite, average figures necessarily represent totals for whatever activities are reported by participating firms.

Some company programs, for example, include both personnel and labor relations in the total. Others exclude one or the other of these areas or omit such important activities as wage and salary administration, training, and safety programs. Comparisons of budgets or costs by individual functions or activities are, for this reason, much more meaningful and useful.

Likewise important is the fact that many individual firm budgets are not limited to staff services or controllable expenditures, as are those in reported aver-

ages. They may include many items that are substantive and largely if not completely beyond the control of industrial-relations staff members. If, for example, such items as premiums on employee life insurance, charges for workmen's compensation, pensions paid to retired employees, and payroll taxes for unemployment compensation are included, the total thus created is not properly comparable to the usual composite averages of staff salaries and administrative costs.

#### CREATING A FUNCTIONAL BUDGET

The value of yardsticks or benchmarks for measuring and controlling costs of industrial relations activities are widely appreciated by many personnel men and by many top managements. Hence, a trend toward the development of functional budgets in industrial relations is to be expected. In most cases, however, present budgets will have to be modified, or new budgets created.

Most of the budgets in current use are not functional, since items are not allocated to specific functions or activities. Many examples of these budgets were returned with questionnaires in the recent survey. They provide a clear picture of what appears to be typical practice.

As illustrated by these samples, the usual staff budget in this field is a long or short list of items, generally divided into two classes—salaries and wages on the one hand and non-salary items on the other. In some cases, both salary and non-salary items are demonstrably related to the over-all activities of the staff division; as, for example, telephone charges, travel by the staff, payments for foremen's dinners, wages paid for employee time while in training, and subsidies for the plant cafeteria. In other cases, many items are quite beyond control by the staff and appear to have been included in the budget by malice or caprice—or merely to make its total impressive. Such items may include contributions to local charities, cost of firm memberships in local Chambers of Commerce, or funds for the company library. Many current budgets, as has been noted, include costs of pensions and insurance.

A typical budget of this kind might appear as in Exhibit I.

To create a functional budget from such items and thus to develop a state-

**EXHIBIT I**

***Example of Typical Staff Budget***

INDUSTRIAL RELATIONS—3300

| Item | No. | Item | Amount |
|---|---|---|---|
| | | A. Wages and Salaries | |
| 3300 | 10 | Abell, John | $ 12,000 |
| 3300 | 11 | Bahr, James | 9,500 |
| 3300 | 12 | Cates, George | 8,500 |
| 3300 | 13 | Doyle, Edmund | 8,000 |
| 3300 | 14 | Ehers, Gladys | 3,000 |
| 3300 | 15 | Farge, Ethel | 2,800 |
| 3300 | 16 | Grange, Alice | 2,400 |
| 3300 | 20 | Miscellaneous | 6,000 |
| 3300 | 30 | Training time pay | 6,400 |
| 3300 | 35 | Unworked holiday pay | 10,000 |
| 3300 | 36 | Unworked vacation pay | 20,000 |
| | | B. Non-Wage | |
| 3300 | 50 | Supplies | $ 4,200 |
| 3300 | 51 | Telephone and telegraph | 500 |
| 3300 | 52 | Travel | 2,600 |
| 3300 | 53 | Entertainment | 1,200 |
| 3300 | 54 | Memberships-prof. ass'ns. | 100 |
| 3300 | 55 | Charitable contributions | 2,000 |
| 3300 | 56 | Employee publications | 6,000 |
| 3300 | 57 | Consulting services | 5,000 |
| 3300 | 58 | Service awards | 600 |
| 3300 | 59 | Special programs | 2,500 |
| 3300 | 60 | Cafeteria | 5,000 |
| 3300 | 70 | Pensions | 6,300 |
| | | TOTAL | $124,600 |

ment comparable to published data on functional costs, two steps are necessary. First, administrative costs—salaries and expenses—of the industrial relations staff must be identified and distinguished from non-controllable or "transfer" items. Second, these salary and expense costs must be allocated to each of the major industrial relations functions or activities.

### CLASSIFYING BUDGET ITEMS

To take the first step, three classes of items may usually be identified in current non-functional budgets. One major group consists of the salaries of staff members. Compensation of professional and technical personnel is a major cost in all staff activities.

A second class of items may be described as staff operating or administrative expense. Staff members must be provided with the tools, equipment, facilities and services necessary to their performance of assigned functions. They must have offices and office equipment; telephones; tests; postage; travel; subscriptions to journals; professional libraries; and drafting, printing, professional consulting, and other services.

Third—as has been pointed out—established accounting procedure in many organizations credits and charges the industrial relations budget with such items, already mentioned, as amounts paid for pensions, group insurance, hospitalization and other welfare programs; time spent by employees in training; vacation and holiday pay; subsidies to recreational programs; picnics and employee or supervisory dinners; cafeteria wages and subsidies; and wages of plant guards. This third class of items may, for convenience, be described as consisting of "trust" or "transfer" funds, because the amounts are in effect held in trust by the industrial relations staff division. They are, for the most part, non-controllable by the division—which cannot, for example, refuse to pay insurance premiums or deny pensions provided by collective agreements.

In a functional budget designed to identify controllable expenditures for each major industrial relations activity, the first two types of items must be clearly identified and distinguished from this third group. The first two classes are, in effect, direct charges for and costs of staff service. The third group of charges, however closely some of them may be related to the activities of manpower management, could as well be charged in part to taxes, or to public relations, or as a production cost. The same logic as puts these items in the personnel budget would also justify charging all wages to the industrial relations division. Hence, all such trust or transfer items should be clearly identified and set apart.

### ALLOCATING SALARY COSTS

The second step in creating a functional budget is to allocate the expenditures for salary and staff expenses to each of the major functions or activities.

Exhibit II has been prepared to illustrate and assist in this procedure. Columns I, II and IV describe the three classes of items described above. The stub lists some 14 major functions for which comparative published costs are available. Subdivisions within several of these functions are for convenience in allocating and comparing expenses in greater detail.

The survey of personnel ratios and industrial relations budgets already mentioned provided short definitions of each of these major functional divisions, approximately as follows:

1. *Departmental administration*: Administrative direction and review of the whole employment relations program.

2. *Planning*:
   a. Policy formulation—recommending new or changed policies and implied practices.
   b. Programming—planning and developing programs designed to carry out accepted policies.
   c. Organization—recommending revisions or extensions in over-all organization and inter-unit relationships.
3. *Staffing*:
   a. Job analysis—identifying and describing jobs; may include time and motion study.
   b. Recruiting—discovering and securing manpower.
   c. Selection and placement—screening applicants through testing and interviewing; making initial adjustments for new employees.
4. *Training* (all types from job to executive).
5. *Promotion and transfer* (includes termination, severance pay, exit interviews).
6. *Personnel rating*: periodic evaluations of employee performance and potential.
7. *Labor relations*: collective bargaining, negotiation, contract administration and grievance handling.

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**EXHIBIT II**

## *Functional Analysis of Industrial Relations Costs*

| Functions | Staff Service Charges | | | | IV Trust or Transfer Charges |
|---|---|---|---|---|---|
| | I Salaries | II Staff-Operating or Administrative Expense | III Total I and II | | |
| | | | $ | % | |
| 1. Departmental administration | Salary | Allocation of: | | | Examples: |
| 2. Planning: | | travel | | | Wages, salaries paid for training time |
| 2. 1 Policy | dollars for | telephone | | | |
| 2. 2 Programming | | | | | |
| 2. 3 Organization | staff time | drafting services | | | Wages for time spent in negotiation |
| 3. Staffing: | | printing | | | |
| 3. 1 Job analysis | allocated | tests | | | Wages for time spent in grievance settlement |
| 3. 2 Recruiting | | | | | |
| 3. 3 Selection and placement | to each | training materials | | | Cafeteria subsidy |
| 4. Training | | periodicals | | | Wages of plant guards |
| 5. Promotion and transfer | function— | professional library | | | |
| 6. Personnel rating | | consulting fees | | | Wages for time spent in safety or security training |
| 7. Labor relations: | may be | advertising costs | | | |
| 7. 1 Negotiation | | infirmary supplies | | | Pensions |
| 7. 2 Contract administration | based | | | | |
| 7. 3 Grievances | | safety clothing | | | Group insurance premiums |
| 8. Employee services and benefits | largely | entertainment | | | |
| 8. 1 Communications | | clerical pool | | | Hospitalization costs |
| 8. 2 Counseling | on | and other | | | Holiday pay |
| 8. 3 Others | | | | | |
| 9. Health and safety | time | similar costs | | | Vacation pay |
| 10. Wage and salary administration | | | | | Contributions and gifts |
| 11. Records and reports | budgets. | | | | Non-professional association dues |
| 12. Audit and review | | | | | |
| 13. Research | | | | | |
| 14. Overhead and miscellaneous | | | | | |
| *Total* | | | | | |

8. *Employee services and benefits*:
   a. Communications—in-plant communications (publications, handbook, suggestion systems, bulletin boards, etc.).
   b. Counseling—aid and advice to individual employees.
   c. Other services—financial aids, recreation, administering pensions, insurance, unemployment compensation, etc.
9. *Health and safety*: sick leave, hospitalization, medical benefits, safety programs.
10. *Wage and salary administration*: wage surveys, payroll management, etc.
11. *Records and reports*: records for all industrial relations functions; preparation of reports on work of the division.
12. *Audit and review*: checking programs against policies, evaluation of current policies, programs and practices.
13. *Research*: conducting studies of current policy and practice; analysis of records, etc.
14. *Overhead and miscellaneous*: not defined or described.

As already indicated, the problem in step 2 is to divide the amounts allocated to columns I and II among such employment relations functions as are included in the firm's program. A beginning may be made here by checking or crossing out, in column I, any functions that are not included in the work of the employment relations staff in this particular firm. For example, personnel rating and wage and salary administration may be eliminated in some firms on this basis. In others, no time or money may be spent on research, while still others may exclude different functions from their assignments to the industrial relations staff.

In some organizations—particularly large firms—allocation of salary items among the remaining activities listed in column I may be fairly simple. For example, in such situations, all of the training director's time and that of his assistants may be clearly chargeable to training (item 4). Similarly, the full-time labor relations director may do little more than what is included in item 7 and its subdivisions. His salary, therefore, is readily allocated.

### USE OF TIME BUDGETS

More difficult problems arise, of course, in those cases—most common in small organizations—where one person is active in several functions. In such situations, salaries must be divided among these functions, presumably on the basis of the time devoted to each. The surest way to make such allocations of time and salary is to develop frequent sample time-budgets for all staff members.

Many practitioners are doubtful about the use of time budgets. They hesitate to ask staff members to keep track of and report on how they use their time. Time budgets are, however, entirely practical, and they do not require lengthy attention. They are neither new nor untried. Estimates of time spent in their preparation over the year fall in the small fractions of one per cent.[2]

In the simplest practice, a form such as that shown in Exhibit III is filled out by each employment-relations staff member, including all professional, technical, and clerical personnel. The functions listed are the same as those in Exhibit II. Sample days or weeks are selected to provide typical experience for the year. In some units, one day each month may be preferable; in others, one week each quarter may provide the fairest sample. As noted in the figure, sample times are summed and percentages of total time

[2] See the discussion reported in "How to Make Up the Personnel Budget," AMA *Personnel Series No. 151*, 1953.

Name____________________ **Daily Time Budget, 195_**

Position____________________

| Activity | Selected Weeks - Hours per Day | | | | | | | | | | | | | | | | | | | | Σ | % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Week of____ | | | | | Week of____ | | | | | Week of____ | | | | | Week of____ | | | | | | |
| 1. Dept. administration | | | | | | | | | | | | | | | | | | | | | | |
| 2. Planning | | | | | | | | | | | | | | | | | | | | | | |
| 2.1 Policy | | | | | | | | | | | | | | | | | | | | | | |
| 2.2 Programming | | | | | | | | | | | | | | | | | | | | | | |
| 2.3 Organization | | | | | | | | | | | | | | | | | | | | | | |
| 3. Staffing | | | | | | | | | | | | | | | | | | | | | | |
| 3.1 Job analysis | | | | | | | | | | | | | | | | | | | | | | |
| 3.2 Recruiting | | | | | | | | | | | | | | | | | | | | | | |
| 3.3 Selection and placement | | | | | | | | | | | | | | | | | | | | | | |
| 4. Training | | | | | | | | | | | | | | | | | | | | | | |
| 5. Promotion and transfer | | | | | | | | | | | | | | | | | | | | | | |
| 6. Rating | | | | | | | | | | | | | | | | | | | | | | |
| 7. Labor relations | | | | | | | | | | | | | | | | | | | | | | |
| 7.1 Negotiation | | | | | | | | | | | | | | | | | | | | | | |
| 7.2 Contract adm. | | | | | | | | | | | | | | | | | | | | | | |
| 7.3 Grievances | | | | | | | | | | | | | | | | | | | | | | |
| 8. Employee services and benefits | | | | | | | | | | | | | | | | | | | | | | |
| 8.1 Communications | | | | | | | | | | | | | | | | | | | | | | |
| 8.2 Counseling | | | | | | | | | | | | | | | | | | | | | | |
| 8.3 Other services | | | | | | | | | | | | | | | | | | | | | | |
| 9. Health and safety | | | | | | | | | | | | | | | | | | | | | | |
| 10. Wage, salary adm. | | | | | | | | | | | | | | | | | | | | | | |
| 11. Records, reports | | | | | | | | | | | | | | | | | | | | | | |
| 12. Audit and review | | | | | | | | | | | | | | | | | | | | | | |
| 13. Research | | | | | | | | | | | | | | | | | | | | | | |
| 14. Miscellaneous, N.O.C. | | | | | | | | | | | | | | | | | | | | | | |

**EXHIBIT 3**

***Sample Schedule for Time Budgeting***

spent on each function are calculated. Salary allocations to the functions or activities follow these percentages.

#### ALLOCATING STAFF EXPENSES

Functional allocation of staff expenses is in some degree related to the division of time spent on each activity. In general, however, this process is more readily accomplished. Thus, certain functions require office space and equipment, recruiting may account for most travel, or administration may be charged with the major portion of long-distance telephone and telegraph charges. Here, again, it is well to make allocations in terms of percentages as well as dollars, since these percentages may be helpful in making year-to-year plans.

#### TRANSFER CHARGES

No allocation of the non-controllable "transfer" funds in column IV is necessary, since they are omitted in calculations of functional costs. Items may be allocated to specific functions if that procedure appears useful. What is important, however, is that they be excluded from calculations of functional costs and sharply distinguished as non-controllable items, so far as the industrial relations staff is concerned.

#### USING THE FUNCTIONAL BUDGET

Exhibit IV represents a hypothetical functional budget for a medium-sized firm, prepared as suggested in the preceding section. It has been developed from the data of the typical current budget outlined in an earlier section.

This functional budget immediately suggests the possibility of several useful comparisons with other published budgets and costs. Some of these comparisons may be made with composite functional costs reported by firms in a number of industry groups. Even more helpful are comparisons with firms in the same industry. Since the industry is not identified in this illustrative case, we can only compare these figures with those for all industries. We find, for example, if the firm averages 1,200 employees, that training costs in this sample budget are $8.17 per employee or 13.1 per cent of the total functional budget. In national averages for all firms, however, these costs are $6.01 and 9.8 per cent. Again, overhead and miscellaneous costs, which average $2.50 per employee or 4 per cent among other firms, are $2.58 or 4.2 per cent in this firm.

In addition, the time allocations used in preparing this budget permit calculation of specific functional personnel ratios, which may also be compared with national averages for all industry and for the particular industry group.[3]

Such a functional budget clearly identifies reasons for expenditures and provides an effective basis for annual budget requests. For example, if it is known that recruiting must be given greater emphasis in the coming year, estimates of added cost are readily developed. Again, if it should be desirable to double review and audit activities, the added cost is apparent.

Top management requirements for over-all budget reduction may be met in a similar manner. The industrial relations staff may propose that such reductions be made by placing lesser emphasis on recruitment and training. Top management may prefer trying to reduce costs of employee services and benefits. In any

[3] See Dale Yoder and Lenore P. N. Wilson, "How Much Do Personnel Activities Cost?—Operational Industrial Relations Budgets and Functional Personnel Ratios, 1953," PERSONNEL, September, 1953.

**EXHIBIT IV**

## *Hypothetical Functional Budget (Data Assumed)*

| Functions | Salaries | Staff Operating or Administrative Expenses | | | Total | | Transfer Items | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amts. | Pct. | | |
| 1. Departmental administration | $11,100 | Travel | 1,000 | 3,200 | $14,300 | 19.3 | Service awards | $ 600 |
| | | Supplies | 700 | | | | | |
| | | Tel. and Tel. | 400 | | | | Contributions | 2,000 |
| | | Assoc. | 100 | | | | | |
| | | Consulting | 1,000 | | | | Training time | 6,400 |
| 2. Planning | 4,450 | | | | 4,450 | 6.0 | | |
| | | | | | | | Holiday pay | 10,000 |
| 3. Staffing | 2,000 | Travel | 1,000 | 5,000 | 7,000 | 9.4 | | |
| | | Supplies | 1,000 | | | | Vacation pay | 20,000 |
| | | Consulting | 3,000 | | | | | |
| | | | | | | | Cafeteria | 5,000 |
| 4. Training | 8,800 | Supplies | 500 | 1,000 | | | | |
| | | Consulting | 500 | | 9,800 | 13.1 | Pensions | 6,300 |
| 5. Promotion and transfer | 750 | | | | 750 | 1.0 | | |
| 6. Personnel rating | Not used | | | | | | | |
| 7. Labor relations | 3,000 | Consulting | 500 | 1,000 | 4,000 | 5.4 | | |
| | | Travel | 500 | | | | | |
| 8. Employee services and benefits | 8,300 | Publications | 6,000 | 7,200 | 15,500 | 20.8 | | |
| | | Entertainment | 1,200 | | | | | |
| 9. Health and safety | 8,150 | Supplies | 2,000 | 2,100 | 10,250 | 13.8 | | |
| | | Travel | 100 | | | | | |
| 10. Wage and salary administration | Not assigned | | | | | | | |
| 11. Records and reports | 1,750 | | | | 1,750 | 2.4 | | |
| 12. Audit and review | 1,550 | | | | 1,550 | 2.1 | | |
| 13. Research | 1,850 | | | | 1,850 | 2.5 | | |
| 14. Overhead and miscellaneous | 500 | Tel. and Tel. | 100 | 2,600 | 3,100 | 4.2 | | |
| | | Special programs | 2,500 | | | | | |
| *Totals* | $52,200 | | | $22,100 | $74,300 | 100.0 | | $ 50,300 |
| *Grand Total* | | | | | | | | 124,600 |

case, decisions should reflect a clear understanding of what services are to be sacrificed.

Finally, this budget can be used to keep the staff as well as top management informed as to how well the division is living within available funds from month to month. Salary increases and added expenses will be reflected immediately in some or all functional allocations. They may require adjustments of other items in order to hold the total within the amount available to the division.

Perhaps it should be added that multi-

plant firms present special problems. As functional budgets become more widely used and accepted, the peculiarities of such multi-plant staff functions and budgets can be more clearly seen, and appropriate adjustments can be made. For the present, available data from functional budgets for the several plants provide a common denominator for valuable inter-plant comparisons.

## FOREMEN'S DUTIES AND PAY: A SURVEY

WHAT makes up the foreman's job, and what price tag does it carry? Different companies would give widely different answers. In some plants the foreman is a veritable "small business man" with considerable authority not only for production planning but for purchasing, budgeting, and other facets of organizational planning. In other firms, he may be little more than a monitor, with authority so watered down as to make his managerial status an empty title.

A pilot study by the National Foremen's Institute, based on data supplied by 2,800 participating companies, demonstrates the differences in rank and pay that go with the title. This research revealed that salaries range from less than $300 a month to over $700 for what the Institute calls "Class I" foremen in the manufacturing field, with an average of $467—while almost 60 per cent of those in "Class II" earn between $400 and $425. In non-manufacturing the paychecks are smaller—almost 55 per cent of those in the upper group are paid $375 to $425, while 68 per cent in Class II earn between $300 and $400 a month. In general, all foremen earn from 10 to 25 per cent more than their best-paid subordinates.

In the manufacturing field, the report reveals, the typical Class I foreman usually has had years of experience and works under the general direction of the plant superintendent or general foreman. He may supervise workers on more than one shift or in more than one area of the plant. He determines procedures of work and devises manufacturing processes and tooling; is responsible for maintenance and repair of equipment; and may be authorized to purchase equipment, material, and supplies. Such a foreman may employ, train, and discharge workers, in addition to assigning duties and initiating rate changes, employee transfers, and disciplinary action. He may also keep time, production, and other clerical records, including those dealing with personnel.

The Class II foreman, in contrast, ordinarily supervises men on one shift and in one work area only, and his duties are usually less complex. He assigns work in line with field work schedules, and in training new workers he commonly uses a training outline prepared by others. He requisitions supplies and materials in accordance with established specifications, and refers—with his recommendations—matters of promotion, leaves of absence, and discipline to his superior. The Class II foreman usually has less experience than Foreman Class I, but may be in training for a Class I job.

In non-manufacturing fields, the Class I foreman commonly assists in the formulation of personnel policies. He ex-

ecutes these policies directly or through subordinates, and is responsible for the profitable functioning of his organization. Other responsibilities include maintaining harmonious working relations among personnel and with other departments; maintaining records of attendance, production and efficiency; and supervising inventory. The Class II foreman in the same fields performs similar duties, but under supervision and in accordance with instructions.

The number of employees supervised by foremen varies with the size of plant, the Institute's survey shows. The average Class I foreman in plants with over 1,000 workers directs 48 employees. In installations with under 100 workers, the foreman has charge of an average of 20 workers. The average number of workers supervised by Class I Foremen ranges from 44 in the Northeast to 25 in the South; the over-all national average is 37. For Class II foremen the national average is 22, and the range is from 28 in the Northeast to 19 in the South (where foremen usually are also paid less than in other parts of the country).

## Union "Dress Rehearsals" for Arbitration

IF YOU HAVE to take a dispute into arbitration, then you must "do a better job than your employer—prepare and present a winning case." That's what the International Union of Electrical Workers (CIO) is telling its local union officers throughout the country. Along with some other unions, IUE is sponsoring training programs aimed specifically at putting local union officers a jump ahead of management.

Recently, IUE staged a practice arbitration in Newark for representatives of 40 northern New Jersey locals. More than 80 officers attended, and the results were so encouraging that IUE is now planning practice arbitrations in other districts. Other unions that have used "role-playing" for arbitration include the United Rubber Workers, the Textile Workers Union of America, the United Steel Workers and United Auto Workers (all CIO).

Each session, held with American Arbitration Association aid, stresses the importance of sound arbitration techniques. The IUE arbitration sessions, for example, were based on a common type of grievance, having to do with incentive rates.

The facts used were actual ones, very slightly changed from those in an AAA case a few years ago. Spectators were provided, in advance, with "briefs" outlining the opposing positions of the parties. They followed the development of the case, and—when the arbitrator recessed the proceedings and retired to "write" his award—spectators had their say about whether the union had made the most out of the material it had to work with.

Before the arbitrator issued his decision, spectators voted unanimously for the worker who had presented the grievance. The arbitrator agreed with them. This wasn't accidental. AAA's arbitrator in the original case also had decided in favor of the worker. IUE and AAA took no chances that a controversial decision might defeat the whole purpose of the mock proceedings.

—*Business Week* 7/25/53

ABOUT 160,000 of the nation's 700,000 scientists and engineers were engaged in research and development work last year, according to the National Manpower Council. Of these, approximately 15,000 were doing basic research. The Federal Government provided three-fifths of the total expenditures.

# VACATION PROVISIONS IN UNION CONTRACTS: A SURVEY

NEARLY ALL union agreements provide paid vacations nowadays. Vacation practice differs markedly, however, between manufacturing and non-manufacturing industries. In general, vacation provisions are more liberal for the short-service worker in non-manufacturing than for his counterpart in manufacturing, and more liberal for the long-service employee in manufacturing.

These conclusions highlight a new BNA study of vacation provisions in 400 collective bargaining agreements current in 1953 and covering both manufacturing and non-manufacturing. Ninety-eight per cent of these contracts provide paid vacations as compared with 90 per cent three years ago.

*Eligibility.* While a full year of service is the standard prerequisite in most contracts for a vacation with pay, a number of agreements allow either part of a week or a full week after just a few months of service. Thirteen per cent of contracts provide partial benefits when the vacation period comes before the worker has had a chance to finish six months' service, while 14 per cent designate partial benefits after six months. The most frequent service requirement in the "less than six months' service" category is three months. Ten per cent of agreements provide a full week of vacation after six months' service.

*Interim Benefits.* A recent vacation trend is the provision of interim vacation benefits after workers have qualified for the first week but have not yet met the requirements for a second week. Twenty per cent of contracts make such provision, while 7 per cent of agreements call for interim benefits between the second and third weeks. Interim benefit provisions, found principally in manufacturing contracts, provide extra time off with pay in about three cases out of five and extra pay without time off in the remaining instances.

*Vacation Pay.* Over half of all agreements specify that workers on vacation be paid at regular rates—generally at straight-time rates for hourly workers and average rates for piece workers. Pay on the basis of average earnings over a designated period preceding the vacation is called for in 20 per cent of contracts, while another 20 per cent provide pay at a fixed percentage of annual earnings—usually 2 per cent per week of vacation. A growing number of contracts (10 per cent) state that shift differentials are to be included in vacation pay.

*Pay in Lieu of Vacations.* Work during the vacation period is optional with either management or the employee in slightly over one-fourth of agreements. Thirteen per cent of contracts specifically prohibit work during vacation, while the remaining contracts (roughly three-fifths of the total) are silent on this question. Of those contracts which permit work during the vacation period, more than four out of five leave the option to management.

—*Labor Policy and Practice* (Bureau of National Affairs) July 2, 1953, p. 3:3.

WE NEED education in the obvious more than investigation of the obscure.

—OLIVER WENDELL HOLMES

## *Can Industry Guarantee An Annual Wage?*

IN A RECENT *Mill & Factory* survey, conducted among 230 industrial firms of all types and sizes, 97 per cent of the respondents said they felt that a guaranteed annual wage is impracticable as far as industry in general is concerned. The same percentage said they could not guarantee an annual wage to their own workers.

Many reasons were cited for this inability to guarantee employees a definite yearly income. Among the most important: uncertain markets, seasonal sales, uncertain price structure, and irregular sources of supply.

If a guaranteed wage policy were forced on industry, 65 per cent of the respondent companies indicated that a cut in the labor force would be necessary. Expansion plans would be halted by 43 per cent; 45 per cent would modify "fringe" benefits; and 22 per cent said they would be forced to cease operations entirely.

One company commented, "Without a controlled economy it is impossible to guarantee annual wages. We can get no guarantee on the amount of business our customers will give us. All we can do is to make a product at a price that will sell, and try to schedule our production according to demand."

***"Peebles, we've found the proposals you've been dropping into the suggestion box not only stimulating but provocative—so much so, in fact, that we'd feel guilty confining a man of your alertness and ingenuity within the limits of your present position. Effective the first of the month, therefore, we're releasing you from our employ."***

## TRAINING PROGRAM FOR JOE DOAKES, JR.

A TRAINING plan to provide practical work experience and financial assistance for continuing college studies was recently adapted by Sonoco Products Company, Hartsville, S. C., for the sons of employees and for other deserving students. Among the notable features of the plan is the fact that it takes changing business conditions into account and assures regular employees against layoffs or reduced earnings as a result of the employment of trainees.

The purpose of the training plan is to give promising students—particularly the sons of employees—practical work experience, promote understanding of in-plant human relations, and enable them to "earn while they learn."

Sons of present, retired and deceased Sonoco employees may qualify as candidates for the program; however, when the quota cannot be filled from this group, deserving and otherwise qualified students whose interest and associations with the company indicate that they will in the future hold positions of responsibility with the company may be considered for selection.

To become a trainee, a candidate must be a high-school senior or college or graduate training student, 17 years of age or over. He must pass with a predetermined grade a battery of tests prepared and given by the company's vocational director. He must also pass a complete physical examination.

All applications are reviewed by the selection committee consisting of the personnel director, the production manager, and the chairman of the vocational advisory board. Final selection of the applicants is based on the anticipated future value of this training to the company.

Trainees are accepted in proportion to the company's anticipated need, with the plan providing for a maximum enrollment of 24 trainees during its first year and 32 trainees thereafter.

The plan provides for two groups of trainees, with each group scheduled to work for six weeks. Since the purpose of the plan is to give a few selected individuals background work experience that will help prepare them for jobs with Sonoco in the future, the trainees are given as much diversity in their job assignments as is practical, and are rotated among the departments during successive summers as business conditions or training needs permit.

During this period, trainees are paid at a base rate, which is five cents per hour less than the plant minimum. (At present the minimum is $1.05 per hour.) This is the standard rate paid to all trainees, regardless of the type of work they perform.

During periods of good business and peak production, trainees may be scheduled to work on direct production jobs. When this is the case, they are also paid whatever production incentive bonus they might earn as regular employees.

On the other hand, during periods of poor business and short work weeks, and when regular employees are being laid off, the schedules for the trainees are arranged so that they are used as "extra" members of crews or groups, and in such a manner that the plan in no way causes additional layoffs or reduced earnings for regular employees.

## *Potential Engineers: An Overlooked Source*

TO THE YOUNG engineer finishing his senior year at college, the business world must seem like a combination of prom week, a new blonde and free beer. For maintaining "gentleman's grades" he is courted with offers of $345 per month to start. However, despite its thorough canvass of the nation's campuses in an attempt to find the 30,000 new engineers needed each year, industry has done almost nothing to develop what could be the largest single source of new engineering talent—women.

Out of a graduating class of about 105,000 women last year, only 52 had engineering degrees. This is not the result of any organized plot to keep women out of engineering. With few exceptions, co-educational colleges do not bar women from taking engineering, and industry does not have a double standard on salaries, at least at the starting level.

Main obstacle is the negative influences exerted at the secondary school stage. Most parents and teachers never think of suggesting engineering as a career for a girl, even though she may have shown outstanding mathematical, scientific or mechanical aptitudes.

How can industry help make engineering more appealing to women? One of the most effective methods is to have committees of engineers employed in local industries work with guidance counselors in the high schools.

These groups can explain that many engineering jobs consist solely of desk-work, that there are opportunities for women—particularly in research, development and design, that women can expect the same salaries as men, and that some firms and foundations offer engineering scholarships to both men and women.

—*The Iron Age* 4/9/53

## *Sound Indoctrination for New Workers*

AN INTERESTING supplement to the usual employee handbook is given to newly-hired workers at the Detroit Aluminum and Brass Company's new plant at Bellefontaine, Ohio. It's a 12-inch record which presents many facts about the company, narrated against a background of music: working conditions, safety, company products, company history, etc.

An interesting slant: The company decided to go ahead with the idea despite the possibility that not all new employees will own record players. Reasoning is that employees, curious about what's on the record, probably would take it to friends or neighbors owning record players. Thereby the company story would get an enlarged audience.

—*Factory Management and Maintenance* 5/5/53

## *The Real Reasons for Termination*

TO UNCOVER the real reason why a worker quits, the use of skill and tact by a skilled interviewer is a must. A checklist of questions has proved to be a definite aid. Some large companies have held clinics to discuss a group of recent loss cases; others have experimented with sending a post-exit interview form to the home.

In an Illinois study using a post-exit survey, 37 per cent of exiting employees gave completely different reasons than they had during the exit interview. Seventy-five per cent of those who quit, it was found, would not have done so had their employers been able to meet their objections to the employment situation. And almost 80 per cent of those who had accepted other jobs were working in identical jobs at the same or a lower salary.

—From a workshop report of the Personnel Club of New York.

## Also Recommended • • •

**COMMUNICATION IN INDUSTRY: A CURE OF CONFLICT?** By Paul Pigors. *Industrial and Labor Relations Review* (New York State School of Industrial and Labor Relations, Cornell University, Ithaca, N. Y.), July, 1953. $1.25. Discussions of union-management relations sometimes seem to be predicated on the assumption that adequate conditions for free communication between the parties concerned would eliminate most existing industrial-relations problems. Pointing out that communication in an atmosphere of mutual distrust is valueless if not impossible, the author emphasizes the necessity of building up a chain of mutual cooperation in order to provide favorable conditions before disputes arise.

**WHAT TO DO WHEN THE UNION KNOCKS AT YOUR DOOR.** By James M. Black and J. George Piccoli. *Factory Management and Maintenance* (330 West 42 Street, New York 36, N. Y.), June, 1953. 50 cents. A detailed guide for the plant operating executive on how to handle the first visit of a union business agent and how to set up the machinery and plan strategy when an employee representation election is to be held. For example, the article discusses eligibility; the choice of the time and place of the election; and ways to avoid unfair labor practice charges, to evaluate the union's progress, and to combat its arguments.

**WHAT MAKES PEOPLE ABSENT?** *Modern Industry* (232 Madison Avenue, New York 16, N. Y.), June 15, 1953. 50 cents. Reporting on a survey made by the University of Michigan, this article discusses such important factors affecting employee absenteeism as good relations with supervisors, group solidarity, recognition for good work and satisfaction with pay. Supervisors who create an atmosphere promoting free discussion of job problems have fewer absentees than supervisors who do not, it was found. A useful graph and checklist on absentee and supervision problems are furnished.

**ARE YOU REALLY EFFICIENT?** By William Young. *Business Management* (100 Simcoe Street, Toronto, Ont., Canada), June, 1953. 30 cents. An industrial relations director describes how his company conducted a cost-reduction campaign designed to motivate employees to "extend themselves beyond the line of duty." This appeal obtained enthusiastic, company-wide cooperation in the effort to meet the pressures of costs and competition.

**IMPROVING PERSONNEL SELECTION.** By John C. Flanagan. *Public Personnel Review* (1313 East 60 Street, Chicago 37, Ill.), July, 1953. $2.00. This article suggests that personnel selection can be considerably improved by more systematic and thorough analysis of job requirements. The author describes various tests and other methods for evaluating (1) the applicant's past experience, (2) his personality characteristics as they will affect his performance in the job, (3) what he says should be done in a described situation, and (4) what he actually does in a sample situation.

**HOW TO USE APTITUDE TESTS FOR SELECTING INDUSTRIAL PERSONNEL.** By Robert L. Peterson. *Management Methods* (141 East 44 Street, New York 17, N. Y.), June, 1953. 50 cents. An electrical equipment manufacturing plant, finding productivity to be below established goals, began using standard manual ability tests to select personnel. The tests, administered first to a representative group of workers for validation, increased productivity and, used in conjunction with a continuing record of each worker's progress, gave management better control over employees.

**PERSONNEL MANAGEMENT'S FUTURE.** By Dale Yoder. *Personnel Journal* (Swarthmore, Pa.), April, 1953. 75 cents. The personnel profession must rid itself of outdated concepts and traditions if it is to provide the necessary leadership in relations between working teams of free men in a free society, says the author. He analyzes salaries, status, and professional performance in the field, stressing that recognition will come to employment relations specialists as their competence merits.

**GOVERNMENT REGULATION OF LOCAL UNION DEMOCRACY.** By George Strauss and Don Willner. *Labor Law Journal* (214 North Michigan Avenue, Chicago 1, Ill.), August, 1953. 50 cents. An analysis of the methods used by local union leaders to keep control, court decisions affecting local union government, and state legislation in the same area. Casting some doubt on the realism—in the light of actual union practices—of the legal principles applied in this area, the authors conclude that the failures of government regulation have frequently been due to the fact that apathy among union membership, not dictatorial leaders, is the chief cause of undemocratic conditions within the local.

## Office Management

# MEETING THE SHORTAGE OF TRAINED TYPISTS

**W. H. BROWN**
**Personnel Manager, Homelite Corporation**

MANY COMPANIES have become concerned in recent years about the scarcity of efficient, trained typists. Some say the high wages offered for factory work are responsible for the shortage; others, that the quality of present-day schooling is responsible. Everyone seems to have his pet theory, but numerous meetings of management representatives and civic and educational organizations have failed to produce a satisfactory solution to the problem faced by the harassed personnel director.

Though hundreds or perhaps thousands of dollars are being spent in advertising, interviewing, and screening, the shortage continues to exist. The solutions which have been offered are usually long-range programs designed to bring relief in four or five years. However, speedier relief is available, at little cost to the average company, in the form of an in-plant training program. Such a program has proved its worth at the Homelite Corporation, East Portchester, Connecticut. It is relatively inexpensive, and results are obtained in four to eight weeks.

### HOW THE PROGRAM WORKS

The Personnel Department at Homelite rented six typewriters (two electrics and four standards) and six typewriter stands at a total average cost of $56 per month. After consultation with local high schools and private training institutions, textbooks were purchased and a course of study to train typists was planned.

Employees with some knowledge of typing were selected from each department to participate in the training course. The classes, supervised by a member of the Personnel Department, consisted of six employees and were held in a company conference room one hour a day. *Typewriting for Speed and Accuracy,** by John L. Rowe, was adopted as the textbook. Management explained to the employees selected that the objective of the class was to offer them an opportunity to improve their skills as much as possible, thereby enabling them to take advantage of future promotional opportunities.

Emphasis in the course was on developing maximum speed through consistent repetition of concentrated speed tests over a period of ten days to two weeks. When a satisfactory speed was reached, the students were directed to "slack off" on their speed until they were able to maintain a consistent speed with reasonable accuracy.

After a preliminary review of the operating parts of the typewriter, classes included the following steps, in the order given:

> (1) warm-up exercises at the start of each class for five minutes; (2) five-minute speed tests; (3) three-minute speed tests; (4) one-minute speed tests.

These tests are corrected, and the errors are called to the attention of the trainees, who are asked to practice typing each

* Published by Gregg Publishing Division, McGraw-Hill Book Company.

incorrect word for one line. All speed tests are selected from *Typewriting for Speed and Accuracy* and from *Competent Typist Tests,* published monthly by the Gregg Company.

### RESULTS

The results have been amazing. The attitude of the participating employees has been enthusiastic and cooperative. It had been recognized that there was a calculated risk involved because some employees might take advantage of the training to improve their skill and then leave the company; however, in five months' time, none of those who have taken the course have left the company's employ.

Progress records are kept for each student by the Personnel Department. A glance at the records of some of the students that participated in the classes will show results have exceeded even the most optimistic expectations. In the sample shown below the "start" column shows the words-per-minute and the number of errors at the start of the course, based on five-minute speed tests, while the "finish" column indicates the speed and errors after a specified period of training, the length of which is shown in the last column.

| *Employee* | *Start* | *Finish* | *Time in Training* |
|---|---|---|---|
| A | 29-9 | 51-0 | 2 weeks |
| B | 40-13 | 65-3 | 2 weeks |
| C | 37- 5 | 41-3 | 3 weeks |
| D | 30-11 | 56-1 | 3 weeks |
| E | 21-18 | 46-8 | 2 weeks |
| F | 14- 9 | 37-1 | 2 weeks |
| G | 36- 8 | 50-4 | 4 weeks |

Four groups of six employees each have now completed the course. Out of the four groups, one employee showed no improvement; two, only moderate improvement; and one who had no knowledge of typing at all was dropped from the class because we found that it was not practical to train a beginner who had no knowledge of typing along with employees who could type, even though their typing was poor. Those who do not know how to type at all should be trained separately. The remaining employees who have completed the course have all shown good to excellent progress. The employees usually graduate after four to six weeks and are replaced by others who have been selected to participate.

These typing classes have provided the Homelite Corporation with an excellent pool of trained typists. The employees themselves have reported that they were able to work much more rapidly and with greater accuracy. The program has been enthusiastically received by all our office employees and has eliminated what was a critical shortage of good typists.

In conjunction with the training program, the Homelite Corporation has also made it a policy to place on the payroll two or three "floaters"—girls who were hired because of good I.Q. and potential ability. These girls are also trained in the typing classes and, under the supervision of the Office Manager, are transferred to the various departments as the need arises to overcome temporary shortages brought about by increased production.

The cost of the entire program over a three-month period was $168 for the rental of typewriters and tables, $5.58 for the textbooks, plus one hour of time per day for each participating employee. No instructor was hired for the program; it was handled entirely by a member of the Personnel Department along with his other duties.

### SOME HELPFUL HINTS

As a result of our experiences during the past five months, a few suggestions can be given to others who may contemplate similar training classes:

1. Have separate classes for employees

who have never typed at all and those who are slow and need refresher courses.

2. Keep classes short. Do not exceed one and one-half hours per day. One-hour classes seem best.

3. Hold classes in the morning when the employees are fresh.

4. Do not attempt to use ten- or fifteen-minute speed tests for at least the first two weeks. The results are invariably poor and the employees tend to become discouraged.

5. So far as possible, obtain the whole-hearted cooperation of the participating employees and instill in them a feeling of competition and accomplishment.

6. Furnish good equipment. Old, worn-out typewriters and uncomfortable chairs will discourage the trainee and result in poor progress.

7. Keep the classes small—not exceeding six or seven trainees.

In view of the results from conducting its own typist-training course, our company plans to start dictation classes in the near future to teach stenography to a large number of its office employees.

## TEN WAYS TO SAVE POSTAGE

Recent and proposed changes in post office rates are currently spotlighting the need for economy in handling mail. Here are 10 suggestions to help you reduce your company's postage costs:

1. *Centralize handling of all mail.* The first step in control of postage expense is to fix the responsibility for determining the class of mail to be used and the amount of postage to be paid for each item. This is most easily done when all mail, both incoming and outgoing, is handled at one place. No office is too small to fix the responsibility for the prompt handling of all incoming mail and to insure the carrying-out of instructions designed to reduce postage expense.

2. *Mechanize mailing operations to the fullest extent.* The larger the volume of mail, the greater can be the utilization of machine methods. Metered mail is recommended for the control of postage. Minimum equipment for a mailroom would include postal scales, mechanical postage affixer, and mechanical letter opener.

3. *Use the proper postage amount in order to save penalty and delay.* Carelessness in checking the correct amount of postage can be costly. Since the post office stipulates a penalty for postage deficiency equal to 100 per cent of the deficiency, a careless oversight can be expensive when a large volume of mail is involved. A mailing manual directing the attention of the responsible person to the everyday means of postage-expense reduction will usually accomplish the objective of control.

4. *Control personal use of company postage.* If there is to be any sincere effort to control and reduce postage expense, there must be a definition of policy in respect to use of company postage for personal affairs. The use of company postage usually adds little, if anything, to the feeling of respect or responsiveness which an employee may have for the employer—but it does add an uncontrollable and unpredictable amount to the expense of mailing.

5. *Use lighter-weight paper and en-*

*velopes.* Though most persons think of weight and grade of paper as being directly related, grade can be maintained and weight can be reduced so that either: (1) More correspondence can be included in one envelope, or (2) less postage is required for mailing the multiple-page correspondence. In regard to first-class mail, air letters, and the like, sealing the letters with adhesive tape across the flap and edges or affixing unnecessary stickers, labels, or seals increases the weight and may subject them to the higher rate of postage.

6. *Check plane schedules before using airmail.* First, determine if the city to which the mail is being directed is located on an air route. If it is not, your mail will be transported by direct train service, or air and train service to effect the earliest delivery. It is also wise to check plane schedules during storms and inclement weather to see if there has been any grounding, in which case mailing matter goes by train (domestic mail) for the quickest delivery.

7. *Study all classes of mail and their uses.* The Post Office Department issues, through the Superintendent of Documents in the Government Printing Office, *The United States Official Postal Guide,* published in two volumes (Part I pertains to domestic postal service and international money-order business; Part II pertains to international postal service except the international money-order business) with quarterly supplements. These are available for purchase. Postal bulletins and "Postal Laws and Regulations" are also available for purchase.

8. *Collect mail for the same address in one envelope.* Because the majority of mailing pieces which go first class weigh less than one ounce, letters going to the same address—such as a branch office—can be accumulated and included in one envelope so that the full ounce weight can be utilized.

9. *Study correspondence and reduce the number and length of letters.* The most effective measure for reducing postage expense goes beyond the physical handling of mailing matter and attacks the problem at its source: the place where correspondence and mailing matter originate. Specialized study and assistance in letter-writing will reduce the length and number of letters, besides improving their content.

10. *Segregate personal messages from parcel post mailing.* Quite frequently it may be desirable or even necessary to have explanatory messages and instructions accompany parcel-post matter. Rather than send the entire piece by first-class mail so that the personal message can be included, it is more economical to segregate the personal message from the parcel-post package so that the package can be properly classified as fourth-class matter. The personal message or letter can be put in an envelope, sealed, stamped at the first-class rate, and then affixed on the outside of the parcel-post package.

—HARRY L. WYLIE. *American Business,* August, 1953, p. 14:2.

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PLEASANT BEGINNING: One company starts its new office personnel at noon on the first day, rather than at the regular starting time. Thus the first day of work —with its accompanying discomfort and nervous tension—passes very quickly.

—*L.O.M.A. Bulletin* (Life Office Management Association) 6/15/53

# REDUCING OFFICE DOWNTIME WITH RATIO-DELAY

IN A CERTAIN business office of 99 clerical workers, all doing similar work, an industrial engineer was asked to determine the relative amount of time actually spent working. In a short time he reported that, on the average, 75 per cent of the work day was spent in useful work. This figure was obtained by taking several counts of the number of girls not working at various times during the day.

This relatively simple case is an example of ratio-delay study, also called work sampling. In making a study, the engineer makes a large number of observations of a process and keeps a record of what type of activity was going on at each observation. The percentage of observations at which any particular type of activity occurred will be a good estimate of the percentage of the total time spent in that type of activity. Simple mathematical formulas can be used to compute both the approximate number of observations needed and the relative reliability of the results obtained. Basically, the statistical principle is that given a large enough sample, such as observations of a process, the results of the sample will closely approximate the true state of affairs.

Only one homogeneous process can be covered by a single ratio-delay study. For instance, if billing clerks and stenographers are mixed into the same study, the results will be averages not applicable to either group. The activities first must be classified into a limited number of types, so that the observations will be consistent and useful. If the subject is a typist, the observer might record six types of activity: typing, reading or proofing work, idle, talking to superior, talking to others, and away from desk. He then starts recording the type of activity occurring each time he observes the process. To get a reliable study, he must obtain observations truly representative of the process. The number of observations required may range from 500 to 5,000, depending upon the accuracy required and the approximate percentages expected for each type of activity.

The observer keeps a properly classified record of his observations and makes notes of any unusual conditions or occurrences. After enough observations have been obtained, the results are summarized and the percentages computed for each of the designated types of activity. The records are reviewed to be sure that the readings are a representative, unbiased sample of the process. When the final review has been completed, the industrial engineer can base appropriate action and recommendations on the results.

Even though the original and still the most common use of ratio-delay is in the factory, there are many promising office and business applications. A very profitable use has been in connection with the work of professional and highly-paid personnel. By using ratio-delay to analyze time spent on various duties, the supervisor can determine which duties can readily be transferred to sub-professional people in order to lower costs and improve efficiency.

Analysis of delays is another use of ratio-delay. By substituting quantitative information for the qualitative—but frequently useless—knowledge that all is not well, it shows up bottlenecks and provides an accurate basis for corrective action.

The chief problem in ratio-delay is the correct classification and recording of the activity types to be observed. This means that the amount and kind of detail available is limited, and that the accuracy of results is inadequate for determining standards for wage-incentive purposes. Where it is applicable, however, ratio-delay has great advantages. Besides costing less than other methods giving comparable accuracy and detail, it is neither tedious to the observer nor unpleasant to the operator. Moreover, it gives the accurate quantitative information necessary for intelligent management decisions.

—ROBERT M. EASTMAN. *Management Methods*, July, 1953, p. 11:3.

## The Average Secretary: A Composite Picture

IF YOU ARE an average businessman and have an average secretary, she's 36 years old, and likely to be single. She has worked for you from one to five years—but there's only one chance in 10 that she's been with you for more 10 years. Altogether, she has worked for eight years and has been employed by three companies. She is probably earning about $280 per month.

These facts emerge from the replies of nearly 4,000 secretaries to a recent survey conducted among members of the National Secretaries Association. Here are some other facts revealed by the survey:

Including salary, working tools, office space, etc., the average secretary costs her company $3,199 annually. If she is like nearly three out of 10 of her kind, she uses an electric typewriter. Surprisingly, she also uses an adding machine in four cases out of 10; one of five secretaries also uses a calculating machine.

Another NSA survey, answered by nearly 400 business executives, shows that the average secretary:

Does general office work to relieve her boss of minor executive and clerical duties.

Takes dictation, using shorthand or a stenotype machine.

Makes appointments and reminds her boss of them.

Interviews people coming to his office and tactfully disposes of callers who would be wasting his time.

Answers and makes phone calls.

Handles personal and important mail.

Personally writes routine correspondence on her own initiative.

Supervises other employees.

*—Best's Insurance News 5/53*

AMA OFFICE MANAGEMENT CONFERENCE

*The Office Management Conference of the American Management Association will be held on Monday, Tuesday, and Wednesday, October 12-14, at the Hotel Astor, New York City.*

# Also Recommended . . .

**A SURVEY OF AVAILABLE ELECTRONIC COMPUTERS, AND WHAT THEY CAN DO FOR MODERN BUSINESS.** By Grandjean G. Jewett. *The Journal of Accountancy* (270 Madison Avenue, New York 16, N. Y.), August, 1953. 75 cents. Current publicity regarding electronic accounting equipment has tended, says the author, to obscure the fact that the number of machines now on the market is still rather small. Pointing out that the well-known "giant brains" are hardly adaptable to ordinary accounting needs, he describes the more modest units which are now available for office use. Special attention is given to problems of machine installation, with emphasis on the extensive methods work that must frequently be undertaken.

**TEN WAYS TO SAVE OVERTIME.** By Harry L. Wylie. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), July, 1953. 35 cents. Observing that continual high overtime costs in office operations are a sign either of improper methods or of an inadequate clerical staff, the author offers a number of practical suggestions for reducing the amount of overtime—e.g., better scheduling of work, elimination of unnecessary detail, use of part-time workers, and improved training methods.

**LET'S FILE—ON THE LEVEL.** By Robert Kahn. *The Office Economist* (Art Metal Construction Company, 369 Broadway, New York 13, N. Y.), July-August, 1953. The filing system described here features drawers arranged in horizontal instead of vertical sequence. The author states that the familiar up-and-down method of filing is more tiring than the on-the-level method and, if files are to be expanded, requires about 44 per cent more material to be moved.

**THE PUNCHED CARD ANNUAL: VOLUME TWO (1953-54).** The Punched Card Publishing Company (509 Francis Palms Building, Detroit 1, Mich.), $6.00. This comprehensive publication, designed to serve as a lasting reference manual, presents a large selection of articles on developments in punched-card accounting machines, forms, methods, and related equipment; specific applications in a wide variety of industries; current electronics research; and training of operators and other personnel for related specialized tasks.

**NEW ORDER-INVOICE FORM REVOLUTIONIZES ACCOUNTING PROCEDURES FOR RAPIDLY EXPANDING COMPANY.** *Business Management* (100 Simcoe Street, Toronto, Ont.), June, 1953. 30 cents. This article reports the savings effected in a lighting-equipment firm by consolidating customers' orders, shipping orders, and invoices in one 12-part order-invoice form. The improved form not only saved time in typing, filing, and mailing, but also—by providing extra copies—facilitated management's control over salesmen's activities.

**OFFICES NEED JOB EVALUATION TOO.** By Edward Waygren. *Office Management and Equipment* (212 Fifth Avenue, New York 10, N. Y.), May, 1953. 25 cents. Job evaluation can be just as useful in the office as it is in the plant for creating a balanced wage structure and eliminating grievances resulting from unfair wage differentials, says the author. Most of this article is devoted to a detailed description of a job-evaluation program undertaken in the offices of a midwestern metal-working firm, with special emphasis on the way factors affecting performance of the job were systematically broken down and evaluated.

**OFFICE QUALITY: NEW WAYS TO IMPROVE IT WITH STATISTICS.** *Modern Industry* (232 Madison Avenue, New York 16, N. Y.), March 15, 1953. 50 cents. Presenting a complete case study from an insurance company, this article explains how statistical quality control may be made to yield results in terms of increased quality, quantity, and worker interest. A series of charts accompanying the article illustrates the basic steps to be taken in instituting a program.

**GOOD HEALTH IS GOOD BUSINESS.** By Robert M. Smith. *Office Management* (212 Fifth Avenue, New York 10, N. Y.), July, 1953. 25 cents. Examining the medical program in a typical large office, the author points out the two cornerstones of any effective medical program: maintaining a completely confidential doctor-patient relationship and keeping the employee's participation in the program voluntary. The article discusses briefly such aspects of medical services in business as absenteeism, the diagnosis of chronic disease, and the establishment of effective medical programs in smaller business organizations.

## GETTING EMPLOYEES INTERESTED IN QUALITY CONTROL

THE PROBLEM of interesting the production operator in quality control is a vital one. Many quality control programs either fail to get started or grind to a stand-still, because employee interest and cooperation in the program were not obtained.

In attempting to interest production workers, the quality-control engineer should strive to (1) overcome suspicion of new management tools, (2) appeal to the operator's pride in producing a quality product, and (3) convince the individual who is interested in the pay check only that quality control can benefit him. Here are some methods which have been used successfully to achieve these aims:

*Union influence.* In many plants operators base their opinions of new management tools on those of the union. Every means should therefore be taken to see that union officials are advised of the aims of the program and its effect upon the individual operator.

As a starting point, a meeting can be held at which union representatives, company officials, and the quality-control engineer are present. At such a meeting, the company officials can explain the need for quality control, its effect upon job security, the company's plans for its administration, how the quality-control engineers or inspectors will function, their responsibility, etc. The quality-control engineer can explain, in simple terms, the basic principles of quality control. The union representatives should be encouraged to ask questions, and every effort should be made to win them as active partners in the venture.

*Personal contact with operators.* No method will produce such satisfying and lasting results as a personal talk with the operators in whose area the program is to be started. The quality control engineer should explain the aims and purposes of the program in very simple terms, being careful to keep the emphasis on the benefits which the individual operator will derive. He should then ask the workers' opinions on the particular operation involved, and prove his sincerity by getting their ideas tried.

*Making the operator a partner.* It is not difficult to teach an operator to make the necessary calculations and to plot values on a control chart. The chart should be interpreted for him in simple language, and he should be shown how it responds to tool wear, tool adjustments, changes in stock, etc. Unless he is different from the majority, he will soon be an interested partner in the program, and will have great influence over the other operators.

*Improving gauging methods.* Improved gauging methods are not only necessary to quality control; they are also a means of interesting the operator in the program. When the new gauge is installed, the quality control engineer should point out that this device gives the operator better control of his product, saves tool grinds, and provides many other benefits.

*Correcting equipment.* When a control chart shows a machine to have excessive variation, the operator will observe with interest. If the necessary repairs are made or new tooling purchased, he will be convinced that management is squarely behind quality control and desire to be part of the program.

*Supervisory interest.* To interest the operator, it is helpful first to interest his supervisor. The supervisor may ridicule the quality control program, with the result that the operator loses respect for it. However, passive interest on the supervisor's part is not enough; he must show an active interest in the program. One plant has solved this problem by requiring that the supervisor actually select one sample per day from each machine in his area, calculate and plot values on the chart, and initial this point.

*Publicity program.* One of the most widely used methods for stimulating operator interest is to publicize the quality control program properly. The house organ is an excellent means of arousing employees' interest in quality control. An article explaining simply what quality control is, how it works, and what its benefits are with regard to the specific company involved should appear about the time the program is begun. People involved in the program can be introduced at the same time.

Attractive posters, strategically located throughout the plant, are another means of awakening interest. If your company has an art staff, posters can be made calling attention to specific problems in specific locations. Failing this, the poster services of certain management services can do an excellent job.

Another method is to display scrapped parts. Several companies have built display counters where accumulated scrapped parts are placed, with their dollar value shown alongside the display.

*Contests.* Many companies have instituted various types of contests in connection with quality-control programs. It is necessary, of course, to have worthwhile prizes, and to publicize these contests adequately. A contest in which the departments are judged by the improvement in their quality over a period of time is very much to the point.

—J. Frederick Verigan. *Industrial Quality Control,* July, 1953, p. 17:4.

## USING WORK MEASUREMENT TO CUT HOUSEKEEPING COSTS

Many firms wonder whether they are getting their money's worth out of their janitorial department. This question bothered management at Sharp & Dohme so much that they decided to apply work measurement methods to the costly job of keeping their plant clean. As a result, over $24,000 per year has been saved, shop housekeeping has been improved, painting costs have been cut, and employee morale has risen.

Here's the seven-point program that brought these results:

*Setting quality standards.* Each area of the plant was inspected by the housekeeping committee and rated on a "Seagram's Chart." This chart (developed by the International Sanitation Research

Foundation of Louisville, Ky.) provides for the rating of housekeeping conditions on each of six physical elements—floors, equipment, walls, ceilings, windows, and lighting fixtures. Scoring is on the basis of cleanliness, order (housekeeping), and repair and finish (maintenance). The committee agreed that the degree of cleanliness in any department should not be allowed to fall below 70 points of the 100 maximum.

*Improving cleaning methods.* A former supervisor of housekeeping operations was appointed to study cleaning methods. Though he had no formal industrial engineering background, he seemed a logical choice because: He had an excellent knowledge of the work; as one of the working group, his suggestions would meet with less resistance; and he had worked closely with the time-study man in developing work-measurement standards. The study was aimed at organizing the work better, standardizing methods of operation, and training the men in improved techniques.

*Setting time standards.* One industrial engineer was appointed to find out how many service workers were really needed and what was a fair day's work for each man.

First, he made time studies and analyses of every cleaning operation. It was found that the major operations of the service department could be divided into 29 types. In many cases, several studies had to be made of the same operation to obtain data for various operating conditions.

In the course of seven months, standard data were established for all operations and conditions. A 10-per-cent fatigue and personal allowance was included; make-ready and put-away time, however, were figured separately.

*Figuring over-all manpower needs.* To determine total manpower requirements, a single five-page master list was devised. The basic data in this list (operation, minutes per unit, and work unit) were common to all areas in the plant.

The application of the data to any given area requires further information, which is shown on another form. In addition to the basic data, the number of units to be cleaned in that area, total standard minutes for each item, yearly cleaning frequency, and standard hours per year to clean each item are indicated.

By totaling the yearly hours required and dividing this sum by the working hours per year per man, accurate estimates of manpower requirements were obtained.

*Scheduling the work.* Upon completion of the methods study, a new scheduling plan was adopted. The men were divided into three groups, two of which are assigned to daily operations, while the third is a floating group, which handles non-daily operations like window-washing and sometimes provides substitutes for absentees in the two other groups.

The daily schedule is derived from a yearly schedule book based on frequency data. Every day the supervisor gives each group leader a list of work to be done. The leader uses this list at the end of the day to report work accomplished.

*Training workers.* While the system was being developed, the training department and the service supervisor trained the three group leaders for their added responsibilities. The group leaders, in turn, were made responsible for training their men. After this instruction, each group leader filled out an instruction report for the service supervisor on each worker's ability and attitude.

The group leader in charge of methods discussed each man's job with him. Fre-

quently the operator and group leader performed the job together to find the best method, paying close attention to proper use of the right housekeeping tools.

On completion of the training, it was found that not only could all operations be performed well within the allotted time without a decrease in quality, but that an additional workload of 40,000 sq. ft. could be assumed with the same number of men.

*Checking worker performance.* Detailed descriptions of methods for cleaning each department and area were typed on a series of 36 instruction cards. The three group leaders carry a set of these cards in a pocket-sized notebook. The cards aid them in checking operations being performed and in training new or substitute workers.

Each card lists the job (one or a combination of basic operations), areas where performed, operational sequence from start to finish, precautions to be observed, tools and equipment needed, and the standard time allowed for the whole job.

To check performance, the group leaders use the daily report, which shows whether each man did his assignment properly within the allotted time. There is space for explanation of reasons for poor work, to be used for corrective action.

As a further check on work quality, the service supervisor inspects the entire plant twice every night. In addition, an inspection team makes an unscheduled tour of the plant once in each fortnight, rating each department on the Seagram's Chart.

—T. M. SHEA and DONALD M. GRANATO. *Factory Management and Maintenance,* August, 1953, p. 118:3.

## Materials Handling—Key Point in the Safety Program

MATERIALS HANDLING operations are the leading source of industrial injuries, accounting for about 40 per cent of all plant accidents, according to one estimate. One-fourth of all compensated injuries, and one-fifth of all compensated permanent disabilities are caused by materials handling accidents.

While the cost of injuries makes up a considerable part of materials handling costs, the losses in downtime, repairs, and the like can exceed the costs piled up by the injury cases. These costs may be hidden, but they are no less real in their impact on over-all plant efficiency and economy.

To reduce these costs effectively requires an accident-prevention program that takes into consideration the safety of the equipment itself, the safety of the operators using the equipment, and the safety of other personnel who may come into contact with it. In addition, the careful consideration of space requirements for the efficient utilization of materials handling equipment is of prime importance.

—GEORGE W. HARPER in *Safety Maintenance & Production* 9/53

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OCCUPATIONAL ACCIDENTS in 1952 cost American industry $45 per worker. Fifteen thousand persons were killed and two million injured while at work last year, and total time lost as a result of occupational injuries added up to 250 million man-days.

—The National Safety Council

# POINTERS ON PLANT PROTECTION

SCARCELY any plant of size can afford to be without a plant protection system that not only guards the property from theft, fire, or other damage but also handles the complex problem of internal security. The latter is particularly important today, when defense contracts are the rule rather than the exception.

Larger industries often have their own plant protection systems, but some large and most smaller plants prefer to retain independent services on a contract basis. Contracting for the independent service enables management to avoid the headaches of hiring experienced personnel, setting up the protection system, inaugurating a training system for a uniformed and possibly armed force, and the multitude of incidental tasks that accompany setting up a "police" force.

Then, too there is a distinct advantage in having policing done by an independent service which has the definite clauses of a contract to live up to. It avoids the idea of a company "Gestapo" that might be suspected of having other interests besides protecting life and property.

Plant protection has mushroomed since the start of World War II. Prior to that time, when defense work forced introduction of security measures, many comparatively large plants relied on a loose system of watchmen, no longer practical in these times. Also, plant protection requirements generally exceeded the limits of regular police authority, making an internal service mandatory.

Before retaining a protective service, management should make a thorough investigation of its reliability. Most reliable protection organizations carry workmen's compensation for their employees, as well as comprehensive insurance coverage. All employees are fingerprinted and screened by the city police, state police, and F.B.I.

What will plant protection provide? It depends on the terms of the contract, but almost any function of a protective nature can be provided. Large services have their men trained for fire protection, as well as protection against theft and other property damage. They may also provide specialists to deal with specific problems.

When a service takes over any given company, it may first set up a badge and card system as well as a pass system if for any reason movement among departments is restricted. Movement of tools and clothing is checked. Some plants permit the inspection of lunch-boxes, while others feel this is an infringement. This usually depends on the type of plant, whether or not transient employees are retained, and other local conditions.

In the past the stigma of strike-breaking and labor spying was sometimes attached to some agencies. Today most reputable services will not touch a labor problem.

—R. D. RADDANT. *Iron Age*, July 9, 1953, p. 78:1.

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BUSINESS CENSUS: **In all branches of manufacturing there are now almost 100,000 corporations, plus almost 200,000 individual proprietorships and partnerships.**

—*Sales Management* 4/1/53

# MONOTONY: SILENT PARTNER OF ACCIDENTS

ALONG with our modern super-highways has come a new danger. "High-speed hypnosis," the experts call it. Monotonous miles of uninterrupted driving at high speed are lulling motorists into dangerous boredom.

To meet this problem steps are already being taken to break the "sameness" which leads to inattention and accidents. Someone has even half-seriously suggested that auto makers should design a car which will periodically jounce and jostle the driver into sensibility.

Though the examples get less publicity, monotony can also pose serious accident problems on many jobs. Highly repetitive tasks, continuous noise, or the rhythmic motion or beat of machinery can lead to boredom, day-dreaming, and then to accidents. As a preventive measure, the problem of monotony should be considered in relation to the employee and the job he must perform. Here are some corrective steps which have been taken successfully in some companies:

1. It is important to study individuals in their jobs. Look for evidence of inattentiveness. But note: A job is not monotonous unless the employee finds it so. In fact, there are some people who enjoy the security of highly repetitive tasks.

2. Clear definition of work goals and sub-goals—and in some cases, the introduction of rest periods—can help reduce monotony.

3. "Fractionalized" jobs can be combined to give employees a broad range of interest and attention.

4. Workers on highly routine jobs can be assigned to assist with higher-rated tasks such as inspection, planning or layout work.

5. Where operations permit, it may be helpful to form work groups in place of one-man jobs. This "team" approach not only helps to break monotony but has also proved to be a stimulus to productivity.

6. Sometimes competition between groups or departments is a sound way to build job interest. However, this device should be used sparingly and only after careful planning.

7. Awareness by management of the employee's skills and abilities, expressed in day-to-day contacts between the worker and his supervisor, is perhaps the most important key to increased job interest. This, coupled with employee understanding of the importance of his job and its relation to the efforts of his department and company, should help to maintain a feeling of job importance.

Accidents happen in unguarded moments. Men drop their guards when monotony takes over. Any action to relieve boredom and step up job interest plays an important part in accident prevention.

—*Management Information* (Elliott Service Company, 30 North MacQuesten Parkway, Mount Vernon, N. Y.), August 10, 1953, p. 1:1.

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TOOTHACHES AND INJURIES to teeth and jaws from occupational hazards are costing industry $12,240,000 annually through millions of man-days lost, according to a recent study. The construction business and leather tanning and metal turning trades showed the highest dental accident rate.

—*The Weekly Underwriter* 2/7/53

### *The Automatic Factory—18th-Century Version*

THERE IS actually very little new in automation. A completely automatic plant was constructed as early as 1784, when Oliver Evans built a continuous flour mill outside Philadelphia. This mill unloaded grain from boat or wagon and processed it to finished flour without human aid. In 1833 the "victualling office" of the British navy mechanized manufacture of biscuits, and in 1869 endless monorails were introduced into the meat packing industry in Cincinnati. These were the forerunners of the powered conveyors which Henry Ford set up in 1914.

It should be noted that in many of these early applications the device did not necessarily eliminate the human operator. Often it merely gave him mechanical power to do what had been done manually before, substituting horsepower for manpower. In this sense it was mechanization, not actual automation.

Automation in the sense of control of industrial operations is more recent and may well be regarded by historians as the distinguishing characteristic of the second industrial revolution. In the first, the machine replaced man's muscles. In the second, automation will replace his brain as an industrial control device.

—FRANK J. SHALLENBERGER before the Fifth Annual Industrial Engineering Institute

# Also Recommended • • •

**WORKS ENGINEERING ORGANIZATION.** By Henry W. Shockley. *Plant Administration* (481 University Avenue, Toronto, Ontario), August, 1953. 50 cents. A comprehensive discussion of the structure of a large plant's engineering department and the responsibilities of personnel at various supervisory levels within it. Particular emphasis is laid upon the maintenance function and the value of a trained planning and scheduling engineer reporting in a staff capacity to the maintenance supervisor. A suggested organization chart supplements the text.

**ELIMINATE OFFENSIVE PLANT ODORS.** By A. Wyn Williams. *Mill & Factory* (205 East 42 Street, New York 17, N. Y.), July, 1953. 50 cents. Although industrial odors rarely if ever have toxic effects, the effects on productivity, morale, and turnover can be quite serious. The author points out that specialists in industrial aromatics can usually eliminate an offending odor quite easily, either by masking or neutralizing it with some other chemical, added in such minute quantities as not to harm the product.

**HOW MUCH ACCIDENTS COST US.** By H. K. Hilton. *Factory Management and Maintenance* (330 West 42 Street, New York 36, N. Y.,) August, 1953. 50 cents. Presents an effective system of record-keeping for accident control and analysis of accident costs. After five years, use of this system has resulted in an accident frequency rate in this company significantly below the industry's average. Illustrations of the records used are provided with the text.

**THE BEST FLOW-PLANNING TECHNIQUE.** By John R. Huffman. *Flow* (1240 Ontario Street, Cleveland 13, Ohio), August, 1953. 30 cents. Most plants, says the author, attempt to reduce handling costs by minimizing one of the four following quantitative cost indicators: distance moved; the amount of handling; weighted distance figures, such as ton-miles; and distance of materials moved in conjunction with the number of handlings. None of these, he maintains, is an accurate indicator of costs. He presents here a comprehensive flow-planning system based on a series of mathematical formulas which take into account the variable factors that enter into the final cost of each handling operation.

**GOOD MAINTENANCE CONTROL.** By Robert P. Neuschel and John T. Garrity. *Mill & Factory* (205 East 42 Street, New York 17, N. Y.), July, 1953. 50 cents. Many companies find it difficult to keep tabs on maintenance costs and efficiency without the use of elaborate control systems which are costly in and of themselves. The authors of this article show how excessive paperwork can be avoided by embodying most of the essential information needed in reports on (1) progress and cost of major projects, (2) manpower utilization

and scheduling effectiveness, (3) productive hours lost because of machine breakdown, and (4) maintenance cost control by class of expense.

**SIX STEPS TO BETTER INVENTORY MANAGEMENT.** By H. F. Dickie. *Factory Management and Maintenance* (330 West 42 Street, New York 36, N. Y.), August, 1953. Examples from one company's procedures, together with illustrative graphs and charts, provide the reader with six easy steps for a review of current inventory practice. In presenting methods of analysis of different inventory problems, the author stresses the need to educate personnel about inventory management.

**TRAFFIC CONTROL.** By Samuel W. Baker. *Steel* (Penton Building, Cleveland 13, Ohio), August 31, 1953. 50 cents. Describing the typical workday of Scovill Manufacturing Company's traffic manager, this article stresses the economies which specialized traffic control departments can hew from industry's estimated $17 billion annual transportation bill. As a member of management, the traffic man can save a company money on product design, plant or warehouse location, decisions on new markets, production control, packaging, product classification, inventory control, and many related operations, the article points out.

**ENGINEERS MUST CONSIDER PRODUCTION COSTS.** By Richard H. Luders. *American Machinist* (330 West 42 Street, New York 36, N. Y.), July 6, 1953. 50 cents. As the engineering design is a major factor in final cost of its products, Lockheed Aircraft makes sure that engineers maintain contact with the sales, manufacturing, and tooling divisions during the pre-release stages of a design. This illustrated article explains how posters, cost charts, and a special training course are employed to develop cost-consciousness in the company's engineers.

**PREVENTIVE MAINTENANCE OF AUTOMATIC EQUIPMENT.** *Plant Administration* (481 University Avenue, Toronto, Ont.), July, 1953. 50 cents. This article describes a number of preventive-maintenance techniques in use at the Ford Motor Company. Emphasizing that a high-speed production system does not permit excessive delay in repairs, the author shows how standardization—both in the company and in the industry—and construction of automatic equipment with a view to future maintenance have effected considerable savings in time required for repairs.

**ELECTRONICS SECTION.** *Pacific Factory.* (709 Mission Street, San Francisco 3, Calif.), August, 1953. 50 cents. A special group of five articles on the rapid and continuing development of electronic equipment, its implications for industry, and its potentialities for the push-button factory. Among the recent developments and applications described are black-light inspection lamps, gas detection devices, the use of high-frequency radio waves for heating, and industrial television.

**LOWER PRODUCTION COSTS.** *Production* (Birmingham, Mich.), September, 1953. $1.00. A round-table discussion in which representatives of seven manufacturing companies describe recent technical advances in their production operations. New machines and devices for streamlining tooling operations are discussed in some detail. One participant describes how a major cost reduction was achieved by the consolidation of all automatic screw machine work in a single department of his company.

**PLANNING TO MEET MATERIALS SHORTAGES.** By C. Willard Bryant. *Purchasing* (205 East 42 Street, New York 17, N. Y.), August, 1953. 50 cents. The lack of new sources of vital raw materials, while partly mitigated at present by the exploitation of marginal resources, will some day pose a major challenge to most industrial managements. This article tells how the General Electric Company —determined to attack this problem before it became urgent—set up a special purchasing research unit to analyze markets, make long-range studies of material availability, and educate the company's buyers in economic questions affecting their work.

## ARE YOU READY FOR A BUYERS' MARKET?

THE next year can be a great year for companies that get out and sell. This doesn't mean just putting more salesmen on the road, or stepping up advertising, or "talking it up" inside the company. It is a major management job, involving the product designer, the engineering department, the production manager, and everybody else who has anything to do with getting products from the plant to the customer.

Readjustment to this "new" kind of market may be somewhat painful for some. And an added irritant is a continuing tendency of the break-even point to rise. There are obviously two ways of fighting a high break-even point. You can get more sales volume to sustain profitable operation, or you can cut costs and expenses to lower the break-even point. The two methods are compatible, and can be carried on concurrently to some extent.

Expense reduction alone, however, is not a good subject for intensive preoccupation on the threshold of a buyers' market. Its application is limited and defensive; you can't keep on cutting expenses indefinitely without shrinking the business. In the second place, instead of preparing your organization for more intense competition, cost-cutting tends to stifle new ideas and to foster timidity. It emphasizes doing less, instead of doing more. A far better plan seems to be to hold the break-even point in line, or make moderate reductions in it, and go out and get more sales. Theoretically there are no limits on this kind of policy, except the size of the market and your ability to produce and finance.

A surprising number of sales managers still think of their markets as they were before World War II. They think of buyers as units in a statistical melange, not as persons who are constantly struggling to improve their status, and hence are constantly changing their characteristics as buyers. Marketing research shows some signs of reawakening, but it still has a long way to go when you consider the startling rate at which market conditions have changed and are still changing.

Since markets today are anything but static, your logical first step is to make a brand-new analysis of your market to gain the information needed for a return to a competitive selling policy.

Probably the second step is to make sure your distribution plan serves the new market effectively. Ten years ago your distribution system might have been a dandy, but there is an even chance it needs a thorough overhauling now to make it fit the changed conditions. A single set of facts makes this clear. The physical volume of goods flowing into the market today is roughly double the volume preceding World War II. Prices also have doubled, approximately; so the dollar volume of goods on the move is some three or four times as great as it was before the war. This isn't just a modified market. It is an entirely different market.

The third step is to take a good look at your product and try to decide whether it is the best product you can produce for your new market. Forget that stuff about "educating the consumer." From now on the consumer is going to educate you, or you are going to be selling fewer products. Here, market research can come to the rescue. Instead of guessing, you can go to the master of your destiny—the consumer—and get some information about what kind of product he will buy, how much he is willing to pay for it, and where and when he will buy it.

It's a truism that many of today's salesmen have forgotten how to sell. Finding men who will become good salesmen is difficult these days, partly because it is harder to find good men, and partly because many likely prospects regard selling as "dull," "uncreative," or "undignified." Some industries will have to do a better job of selling salesmanship as a career.

A couple of years from now, some of your salesmen will have to be sales supervisors. Any plan of selection and training should take this into account, and should provide an adequate number of men who can grow into managerial jobs.

You cannot do a really good job of pepping up your sales department for competitive days without reconsidering sales quotas and compensation plans, for if these are inadequate, you cannot attract or hold good salesmen, and you cannot build up the volume you may need. As one anonymous phrasemaker said, "Things have really changed. These days you have to give a man an incentive to get him to go out and kill himself."

Selling the goods is not the whole story: they must also be delivered to the buyer at the right time, in the right place, and in the right quantity. Back-ordering has almost become a routine in the last 15 years. Very soon, though, customers will be buying on their own delivery terms or not at all. The whole sales-communication system needs improvement in many a company. Among other things, this means improved methods of entering and handling orders, better reports and forecasts, better warehousing, better scheduling and shipping, and in some cases, better service to the customer after the product has been sold.

—*Acme Reporter* (Association of Consulting Management Engineers, New York), August, 1953.

## *Your Customers Have Changed*

THE AVERAGE sales territory contains a population that has grown by 19.4 per cent in the past 10 years, as the total population of the country rose from an estimated 134 million to 160 million. This is a fact that must be taken into consideration whenever sales records are checked against past performance or, even more important, when future sales possibilities are projected from present levels.

However, another comparison that often is overlooked is the fact that in the aggregate, the customer list has changed substantially in the past 10 years and probably will change just as much in the next 10.

Many industries have gone up in terms of number employed, two have actually shown a decline and one has held steady over the past 10 years. Probably the most sensational shift has taken place in agriculture, which has dropped from a 1943 total of 9,080,000 to a 1953 total of only 6,390,000, a decline of 29 per cent. Another decline has been in mining, down 9 per cent in the 10 years. The

number engaged in manufacturing held steady. Industries showing the biggest jumps were contract construction, up 56 per cent; trade, up 45 per cent; finance, up 44 per cent; and service industries, up 35 per cent.

A comparison of the relative numbers employed in different categories in 1943 and 1953 is still more revealing. For example, we find that 178 out of each 1,000 employed persons working in 1943 were engaged in agriculture. By 1953 this had dropped to 114 out of each 1,000. Other comparisons:

| *Industry* | *Number of workers (per 1,000 employed persons)* 1943 | 1953 |
|---|---|---|
| Mining | 17 | 15 |
| Contract Construction | 31 | 44 |
| Manufacturing | 340 | 311 |
| Transportation and Public Utilities | 71 | 77 |
| Trade | 142 | 187 |
| Finance | 27 | 35 |
| Service Industries | 76 | 99 |
| Government | 118 | 118 |

—*The Biddle Survey* 8/11/53


*"It's revolutionary! We put an eye-patch on our new line of dolls."*

—Courtesy of *Tide*

## WHAT'S THE SCORE ON PRODUCT GUARANTEES?

ALMOST everybody likes to feel there's someone around to make good on a purchase in case anything goes wrong. This is probably the basic reason so many people buy merchandise under recognized brands and nationally advertised trademarks. The brand name in these instances is the unwritten guarantee. But for extra frosting on the cake, consumers seem to like the idea of a written guarantee. It has been repeatedly demonstrated that a guarantee in an advertisement can increase response—particularly in the case of a new product or product feature. Where the consumer is asked to take a chance on something different, often even the reputation of the manufacturer is not enough to prompt immediate confidence.

However you use a guarantee and for whatever purpose, it will pay you to keep in mind 18 suggested rules for guarantees recently issued by the National Better Business Bureau. If you adhere to these rules, you may avoid punitive action by the Federal Trade Commission and at the same time preserve your consumer goodwill. The following 18 principles regarding guarantees apply to the use of terms of similar meaning, such as "warranty" and "warranted":

1. Guarantees should disclose conspicuously their exact scope and conditions under which they operate.

2. They should not be made unless the advertiser is prepared and willing to fulfill them promptly without quibbling.

3. They should disclose the extent of the liability of the advertiser.

4. They should clearly state who is responsible for their fulfillment.

5. Any additional charges or expenses required of the purchaser should be fully disclosed.

6. Money-back guarantees should be honored with a full refund in cash unless qualifying conditions are clearly established.

7. Satisfaction-or-your-money-back guarantee should allow the purchaser to judge the satisfaction.

8. Guarantees which apply to a part or parts of an article should be clearly stated to avoid creating the impression that they apply to the whole.

9. Service guarantees should be clearly defined and should be promptly fulfilled.

10. Time guarantees should be specific as to the period covered and should not, of course, extend beyond the normal life of the article covered.

11. Guarantees should not extend beyond the reasonable performance possibilities of the product, or the reasonable fulfillment possibilities of the advertiser.

12. Those guarantee offers that are good for some specified period should date from the purchase date by the ultimate consumer unless some conflicting expiration date is clearly and conspicuously stated.

13. Guarantees which are limited to crediting the purchaser for loss of guaranteed service on the purchase of a duplicate article should be clearly qualified.

14. If an optional adjustment is offered, the customer should be given his choice unless the guarantor specifies that the choice is his.

15. Once given, guarantees should not be subject to retroactive changes without the consent of the purchasers, nor should the guarantor seek to circumvent them by offering alternate adjustments.

16. Guarantees should not be used as inducements to buy goods that are sold

through false or fraudulent representations.

17. The word "guarantee" should not be loosely used as a synonym for words having different meanings.

18. Guarantees should comply with state and federal laws (some state insurance laws prohibit certain types of guarantees unless the guarantor is licensed as an insurer).

—*Printers' Ink*, Vol. 243, No. 9, p. 35:2.

## A Checklist for the Sales Executive

UNDER TODAY'S CONDITIONS of stepped-up competition and mounting costs, it is especially important for the sales executive to take inventory from time to time to see whether the best advanced management practices are being followed in his organization. Here is a checklist designed to aid in such an analysis:

1. How does the company's sales performance compare—in specific terms—with that of competing firms? Is it maintaining or improving its relative position? How aggressive is the competition?

2. What economic or industry yardsticks are available for use in sales forecasting? Are population trends given appropriate weight in market research and sales forecasting?

3. Are appropriate data accumulated promptly for analysis of performance and potentials by classes of accounts, territories, products, sizes, and the like?

4. Is there a systematic method of using the types of information mentioned above for accurate sales budgeting?

5. What does analysis of sales cost reveal as to the balance between advertising, sales promotional aids, salaries and commissions, entertainment, etc.? Are these consistent internally and with industry practices?

6. Is there proper liaison between sales and production, to see whether the current "product mix" is causing any special production or cost problems? Would certain simplifications in types or sizes, or changes in standard lots, bring significant economies?

—*"Self-Quiz" for Executives* (George H. Elliott & Company, New York)

## Spotting the "Turnover-Prone" Salesman

APPLICANTS for sales jobs whose backgrounds exhibit any of the following six factors are likely to be poor employment risks, regardless of the field, company, territory, or industry, and despite their past accomplishments or sales aptitudes:

1. Frequent change of address during the past five years.

2. Recent failure in own business.

3. Divorce or separation within two to five years before applying for a new job, even though the applicant may have remarried during that period of time.

4. More personal indebtedness than can be paid back within two years of normal earnings.

5. Previous income so high that there must be a radical change in standards of living to accept the new job.

6. Unexplained gaps in the employment record; that is, failure of the applicant to write down on his application where he has been and what he has done during every month of every year of his previous employment or education.

—*News Letter No. 6* (The Klein Institute for Aptitude Testing, Inc.)

# COMPENSATING THE SALESMAN: SOME CURRENT PROBLEMS

Do SALESMEN want security—or a gambler's chance at high rewards?

Traditionally, of course, the American salesman has been pictured as the freest of agents, the rugged individualist whose pay was in direct and uncomplicated ratio to the orders he brought in. But straight-salary plans, plus a number of fringe benefits, have gradually replaced many of the straight-commission systems. Today, only about 20 per cent of the nation's salesmen are paid in direct ratio to sales. More than half of the companies polled in a recent comprehensive survey employ compensation plans that are combinations of salary and commission.

Combining salaries and commission in some way is probably the best plan for most companies—but even under the most carefully worked-out system special problems and unexpected situations are sure to arise. Here are some of the difficulties frequently encountered by harried sales managers:

*How can I get my salesmen to concentrate on particular lines of products that are hard to sell and don't give the salesman much of a commission?*

Several companies have worked out special bonus plans for such product lines, nearly always temporary in nature. Other firms believe special contests solve this problem best.

*Occasionally, one of our salesmen will rack up a "windfall" order that almost throws everything out of balance. At the same time, we don't feel the company itself should absorb these large commissions. What can we do?*

Many firms have devised a "commission pool," made up of commission earnings of salesmen above a fixed limit. This gives each salesman a share in windfalls, as well as furnishing an incentive toward greater teamwork.

*We're a large firm, almost too decentralized. How can we interest salesmen in the sales earnings of the company as a whole?*

One large tool-making company bases its commission compensation in part upon salaries, in part upon the salesman himself, in part upon the performance of the sales district, and in part upon the sales performance of the company as a whole. The company believes this has helped to turn all their salesmen into public-relations agents for the firm.

*Many of our salesmen are getting high commissions on mail orders, even though we believe personal calls are essential for maintaining customer good will. How can we correct this?*

One company, a manufacturer of farm equipment, pays the salesman only half of his commission on a mail order, even if such a customer is a long-time client of the salesman. Thus the sales force is constantly in personal touch with established and potential customers.

The problem of salesmen's expense accounts often seems to worry everybody concerned; the sales manager, the company treasurer, the salesman himself. On the one hand, there is the danger of extravagance and waste; on the other, that of stinginess and inadequacy. Small firms, with a few seasoned, well-paid salesmen, generally tend toward unlimited reimbursement of expenses with occasional internal spot checks. But in companies with larger sales forces, some agreement as to type and range of allowable items should be made, particularly with respect to entertainment.

American industry spends about $10

billion annually on compensation for outside sales personnel. Most management men believe the salesmen is here to stay, and that paying him well is a worthwhile investment. At the same time, the wise manager realizes that if his company is to compete effectively in the years ahead, every single dollar placed in a salesman's pay check must be a dollar well spent.

—*Modern Industry*, July 15, 1953, p. 57:4.

## *Trends in Family Incomes—A Survey*

HALF OF THE 54 million families and other "spending units" in the United States earned more than $3,420 last year, and half earned less, according to the findings of a recent Federal Reserve Board survey conducted with the cooperation of the University of Michigan's Survey Research Center.

Interviews with the heads of 3,097 families and family-type spending units disclosed that from 1946 to 1952 the median income of families in the clerical and sales group rose 48 per cent, while those of the skilled and semi-skilled groups and the unskilled and service groups went up 48 and 54 per cent respectively. It is worth noting that the cost of living rose at almost the same rate.

Incomes of over $5,000 per year were received by only 10 per cent of the national population in 1946, but this figure was reached last year by 26 per cent of all families. On the other hand, the proportion of workers who earned less than $2,000 per year declined from 40 per cent in 1946 to 25 per cent in 1952.

Most families feel that they are at least as well off or actually better off than in previous years. Of the families interviewed in early 1953, 71 per cent felt they were either as well off or better off than in early 1952.

Workers in the lower-income occupations were less optimistic about their prospects for late 1953 and early 1954 than employees in management and professional-type work. However, well over half of the sales and clerical workers—55 per cent—expected increases in income.

—*Labor Policy and Practice* (Bureau of National Affairs, Inc.) 8/27/53

## *Industrial Salesmen's Call Costs Up 80 Per Cent*

IN 1952 the cost per salesman's call of 87 industrial companies was $9.02 (mean average); today it is $16.31. Talk no longer is cheap!

Rising costs of personal calls emphasize the importance in today's selling of backing up the salesmen with business paper advertising, catalogs, direct mail, visual sales tools—to the end that they can spend more of their precious time in presenting product specifics and closing orders.

Highest cost per 1952 call was reported by a maker of pipes, fittings, tubes and pumps; lowest, by a maker of microwave fittings ($.57). By industry, the lowest average call cost runs at $6.00 in the chemical field—the highest, at $17.50 in the paper industry.

—*Sales Management* 4/15/53

NEW PRODUCTS that offer a nutritional or economical advantage get a better reception from people in the upper income groups than from less wealthy consumers, according to a recent survey. Dry milk, for example, is used in 17 per cent of upper-income homes, as against 8 per cent of lower-income households. Even margarine is used no more frequently in low-income than in high-income homes.

—*Journal of Commerce* 11/25/52

## Also Recommended • • •

**DELEGATION AND DECISION IN SALES ORGANIZATIONS.** *Cost and Profit Outlook* (Alderson & Sessions, 1401 Walnut Street, Philadelphia 2, Penna.), July, 1953. Advances in organizational techniques are now being applied as much in marketing as in finance and production, this article points out; and, though there is no formula which can fit every organizational problem, there are several general principles, set forth here, which can be applied in designing an appropriate sales structure. Among the aspects of sales organizations discussed are the size and character of the sales force, the basis of sales assignments, the relationship between line and staff units, and the use of an operating manual.

**HOW WELL ARE YOU SELLING THE FARM MARKET?** *Tide* (New York 16, N. Y.), July 18, 1953. 50 cents. While the farmer today is often a difficult customer because of declining farm prices and his uncertainty about government policies, he buys almost all the products bought by city-dwellers; moreover, the annual income of U. S. farmers—totaling over $13 billion—means that few companies can afford to disregard this market. Pointing out that the farmer's unique economic position calls for specialized marketing techniques, this article stresses the need for further research in this area.

**SURVEY OF BUYING POWER.** *Sales Management* (386 Fourth Avenue, New York 16, N. Y.), May 10, 1953. $4.00. This survey shows how rates of growth and decline in economic activity differ by region, industry, and market. For the practical use of manufacturers or marketers it gives a detailed statistical picture of: 1) industrial potential by industry (showing percentage changes between 1947 and 1952, number of workers employed, and value added per employee); 2) gross cash farm income by states and counties; 3) wholesale sales by states; 4) income and retail sales in 200 leading cities and counties, in metropolitan county areas, in states and territories and in Canada.

**MARKETING NEEDS COST CONTROL.** By E. W. Kelley. *The Controller* (1 East 42 Street, New York 17, N. Y.), May, 1953. 50 cents. Although the field of accounting has been extensively exploited for manufacturing cost purposes, the marketing function has not ordinarily been accorded equal treatment. Pointing out that the greatest source of waste in our economy is in the distribution process, the author of this article suggests that the basis of a cost-control system for marketing may be constructed on the same lines as in manufacturing, basing the plan on areas of specific responsibility.

**SELL YOUR OWN EMPLOYEES FIRST.** By Louis Wozar. *Printers' Ink* (205 East 42 Street, New York 17, N. Y.), June 12, 1953. 25 cents. Tells how a manufacturing firm decided to introduce its new product to employees as well as to salesmen, dealers, and the public; how a dramatic and effective program was organized for the purpose (at a cost of less than $1,000); and how the presentation, together with a follow-up letter mailed to employees' homes, achieved a better understanding of company policies and problems.

**HOW "FAIR" IS FAIR TRADE?** By John Schwegmann, Jr. *Challenge Magazine* (32 Broadway, New York 4, N. Y.), August, 1953. 20 cents. An independent retailer who has recently led an attack on Fair Trade legislation sums up the reasons why he believes legal restrictions on competitive pricing must hamper the small business man and work against the interests of the consumer. A running commentary by Dr. John W. Darvagel of the National Association of Retail Druggists offers a number of points in rebuttal.

**HOW PACKAGING HAS AFFECTED MODERN MARKETING.** *Advertising Agency* (48 West 38 Street, New York 18, N. Y.), July 6, 1953. 35 cents. A detailed discussion of 10 areas in which packaging innovations have helped revolutionize American business. The author contends that some packaging techniques have affected not only merchandising and manufacturing but the personal habits of consumers as well.

**HOW SIX COMPANIES HEAD OFF SPLIT COMMISSION SCUFFLES.** *Sales Management* (386 Fourth Avenue, New York 16, N. Y.), June 15, 1953. 50 cents. An explanation of six office-appliance companies' policies governing the division of sales commissions on orders involving more than one sales territory. Sales managers quoted in the article emphasize that the salesman taking an order for partial delivery in another territory is glad to split the commission in order to insure proper installation and service.

## Financial Management

# "FRINGE BENEFITS" FOR MANAGEMENT

GIVING YOUR top executives salary increases often comes close to being little more than a show of confidence these days. High tax rates cancel out a big chunk of their financial gain from the raise.

There's a good way to take the sting out of this tax bite. Instead of a direct increase, consider having the company foot some of your top executives' bills. Such fringe benefits are tax-free to the recipient, and they ease the pressure of living costs.

Fringe benefits are, in effect, indirect pay. Ranging all the way from payment of membership fees in clubs to free medical services, they can build company goodwill without throwing the budget out of balance.

Here's an example of how a fringe benefit helps both company and recipient:

Assume that a married executive earns $20,000 a year. His medical costs this year will run to $500. In order to pay the bill, he must earn about $800 before taxes. What's more, his bill is not big enough to allow him to deduct any of it from his income tax. But if the company supplies free medical care, the $500 tab actually costs the company—at the 52 per cent corporate tax rate—only $240, because the company can deduct the $500 as an ordinary and necessary business expense.

Most executives seem to be more aware of fringe benefits for workers and other employees than of those available on their own level. A sampling of fringe benefits given by companies today indicates the variety:

Availability of company counsel and accountants to assist executives in legal, tax, and financial problems.

Furnishing facilities for the executive to entertain customers. (One company recently set up its own small night club for such a purpose.)

Maintenance of company recreation areas—golf courses, gymnasiums, swimming pools.

Maintenance of executive dining rooms.

Providing company autos for all business uses.

Payment of membership fees to clubs and business leagues; buying golf clubs used for business purposes.

Payment of the cost of education and development of executives. (This feature has lately been growing in popularity.)

Will these and other fringe benefits remain tax-free? The U. S. Treasury is trying hard to get a tax on them. But the experts say chances are that most of the fringe benefits will continue to be tax-exempt.

—*Business Week*, June 20, 1953, p. 183:2.

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PAPERWORK: The Federal Reserve Bank of New York estimates that approximately 7 billion checks are written in the U. S. every year and that the average check is handled by three banks before it is returned to the payer. More than 20 per cent of all checks are drawn on 42 American banks having deposits of more than $500 million.

—*Office Executive* 7/53

## Effective Financial Control—A Checklist for Management

THE ALERT financial executive is wise to review occasionally the practices of his own firm to determine whether they are in accordance with the best principles and techniques in use by other progressive companies. Here is a checklist, covering some of the most valuable of these practices, which may serve as a useful tool for evaluating the effectiveness of your company's financial control methods:

1. Does the budget system in use provide timely performance information tied up with budgeted programs, to provide a useful tool for management control?

2. Is the budget prepared on a flexible basis, to provide performance and control information for a specified volume range?

3. Is a periodic analysis of the working capital position prepared for top-management guidance?

4. Have activities and expenditures been analyzed from the standpoint of tax effects?

5. Does the scope of operations warrant a special tax department?

6. Are property and equipment records adequate for a sound depreciation policy?

7. Are well organized physical inventories taken at definite periods (possibly on a rotating basis)?

8. Is there an accurate, up-to-date system to control supplies and material between inventory-taking periods?

9. Are annual reports prepared in a format intelligible to stockholders and employees, through the use of charts, illustrations, non-technical language, etc.?

—*"Self-Quiz" for Executives* (George H. Elliott & Company, New York)

## Investment in the Future

AMERICAN INDUSTRY will have to invest about $200 billion in new plant and equipment by 1960 if it is to achieve adequate output to maintain the present high standard of living, according to Dean E. Carson, director of business research for the B. F. Goodrich Co., Akron. That is roughly equivalent to the total sum invested over the last 30 years.

By 1960, Mr. Carson says, the total U. S. population will be about 174 million persons, or 15 per cent more than 1950. As the population grows older, most of the increase will be in the consuming group rather than the producing group. Therefore, productivity will have to be based on a work force comparable with that of today.

Not only will the labor force have to produce to the best of its ability, but employers will have to supply employees with more effective tools. In the boom days of the 1920's, it cost industry about $71 billion to do that. In the 1940's, $110 billion was spent to build American productivity to a new high level. In the future 1950's, it will cost $200 billion simply to maintain that level.

—*Steel,* Vol. 132, No. 37

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LOOSE CHANGE: Money in circulation is at a new peak of $30-billion—an increase of close to 4 per cent during the past year. The present amount is more than three times that in use before World War II.

—*Business Bulletin* (La Salle Extension University, Chicago, Ill.) 7/53

## ARE WE IN OVER OUR HEADS?

MANY PEOPLE worry about the size of the $272 billion federal debt. But not so many worry over a far bigger U. S. debt: the money borrowed by individuals and corporations. For houses alone, Americans have gone $84 billion into debt; to expand and modernize, industry has borrowed $200 billion. Altogether, while the national debt has remained near its wartime peak, private and corporate debt has more than doubled—to a record $330 billion, or $4,000 for every man, woman and child in the country.

Are Americans getting in over their heads? Will the boom collapse under the weight of private credit as it did in 1929?

No one knows, though the evidence indicates that the enormous over-all debt is not an immediate danger, largely because the U. S. economy has been growing so fast. Since 1940, public and private debt has risen 195 per cent; national income, on the other hand, has risen 257 per cent. Thus, the total debt last year was only 2.2 times national income, vs. 2.7 times in 1940. But a debt of that size is only healthy so long as the economy as a whole remains sound.

A key part of the debt problem is consumer credit, which is extremely sensitive to shifts in the economy and can cause quick repercussions on the whole economy when it becomes top-heavy. While total debt is increasing more slowly than the national income, consumer debt is increasing at a far faster rate than personal income.

Installment credit, which accounts for $20 billion of the $27 billion of consumer credit, has grown from $87 a family in 1946 to $305 today. While more than half the nation's families are in debt to some extent, most of them manage to keep their installment debts below 10 per cent of their annual earnings. But one in every 10 U. S. families actually owes 20 per cent or more of its annual income before taxes.

On a national basis, consumer credit now represents 11 per cent of total income after taxes. Economists guess that most families can carry a debt equal to 15 per cent of their annual income; hence, consumer credit is not yet at the maximum danger point. But consumer credit has expanded 400 per cent since war's end, as against only 60 per cent for consumer incomes.

Actually, the chief danger of over-expanded consumer credit is not that people will find it impossible to meet payments, but that in time of declining incomes they will be forced to allot so much money to paying off their debts that they will have little left over for other buying. That would dry up purchases and hasten a recession.

The government has had no direct control over consumer credit since the Federal Reserve Board's power to fix minimum down-payments and maximum payoff periods expired last year. Even if it could, the FRB would probably impose no consumer-credit controls at present. But if consumer credit continues to increase at its present rate, controls will be needed. They would, no doubt, cause some temporary dislocations as credit dried up where it was overextended. But that would be far better than letting credit expand indefinitely, until the boom collapsed under its weight.

—*Time*, August 3, 1953, p. 58:1.

## Top Management Pay: It's Leveling Off

ALTHOUGH top management is far from being on its uppers, the trend in executive pay last year was no longer upward. Total compensation plainly was leveling off.

Here's what happened in 1952, according to *Business Week's* third annual survey of pay figures for the chief officers of about 50 leading companies in 28 industries:

General Motors was still at the top, followed by DuPont. These two companies were the only ones to pay their presidents more than $500,000. Next in line were Bethlehem Steel Corp., Distillers Corp.—Seagrams, Ltd., and Gulf Oil Corp. Most others trailed far behind—under $300,000.

Of the 54 companies for which there were comparable figures between 1951 and 1952, 23 chief executives got a raise. Pay cuts hit 22 top officers, and nine companies did not change their top man's compensation. From the standpoint of executive pay, 1952 was a poorer year than 1951, when 30 top men got pay increases, 20 got pay cuts, and 7 stayed the same. Only a few of the 1952 pay increases amounted to much, percentagewise. Some of the cuts, however, were relatively severe.

Much of what happened to top salaries in 1952 is explained by the fact that profits of U. S. industry generally were down, something that many salary plans reflect because they are partly tied to earnings. When figures are in for 1953, it will be a lot clearer just how much boards of directors think management is worth. In a year when profits seem to be looking up, companies will have a chance to adjust pay rates.

Furthermore, if personal income taxes are reduced, a lot more compensation will probably be paid in outright salary boosts or bonuses, rather than by deferred compensation methods or indirect incentives like stock options.

—*Business Week* 5/23/53

## Tips on Tax Strategy

A LIST of useful tax strategies you might consider taking advantage of this year highlights the latest edition of *Tax Shelter in Business*, by William J. Casey and J. K. Lasser.* Here are a few examples:

Swapping any machinery? Don't take trades; consider outright sale of old stuff. That gives you full deduction for any loss.

Take full deduction for charitable contributions. Is this the year to set up your own company foundation?

A cash-basis taxpayer can deduct prepayment of state taxes if the state accepts prepayment.

What lawsuits can you settle now and get the deduction in 1953?

If you settle any old Federal tax claims, you may get a deduction—up to 82 per cent—for interest paid.

Have you any disputes with employees, suppliers, customers? This may be the year to make a settlement at very little net cost.

"It is a crazy law," the writers state, "that gives you the deduction when you settle and pay for this sort of stuff—but there it is."

—*Newsweek* 8/31/53

* Published by Business Reports, Inc., 1 Main Street, Roslyn, L. I., N. Y. 156 pages. $12.50.

## Also Recommended • • •

**DEPRECIATION, DETERIORATION, AND OBSOLESCENCE.** By Alwyn M. Hartogensis. *Management Aids for Small Business* (Small Defense Plants Administration, Washington 25, D. C.), August, 1953. Gratis. Designed to aid small business men by presenting a sound approach to depreciation costs, this leaflet provides concise and useful background knowledge which can be applied to specific plant situations. The author discusses what is meant by depreciation, the deterioration factor, the obsolescence factor, how to carry depreciation charges on account books, depreciation expense as an income tax deduction, the effect of changing price levels on depreciation accounts, how to determine when equipment should be replaced, and depreciation as a cost in setting sales price.

**LIFO INVENTORIES AND NATIONAL INCOME ACCOUNTING.** *Survey of Current Business* (Superintendent of Documents, Washington 25, D. C.), May, 1953. 30 cents. One of the most significant recent developments in business accounting has been the spread of the last-in-first-out (LIFO) inventory method. This article details the findings of a recent survey which showed that as a result of the inflation brought on by the Korean conflict, approximately 15 per cent of the total book value of manufacturing inventories was on a LIFO basis, and that the use of LIFO is growing rapidly, particularly among large firms—although it is rarely applied to a company's total stock of goods.

**SHORT-TERM FORECASTING OF CASH RECEIPTS.** By Lester Ageloff. *The New York Certified Public Accountant* (New York State Society of Certified Public Accountants, 677 Fifth Avenue, New York 22, N. Y.), June, 1953. Three methods of short-run forecasting of cash receipts are examined in this article: (1) the control-chart method, (2) correlation analysis, and (3) numerical analysis. The author concludes that the first method is limited in application and does not yield precise information; that the second technique has the danger of projecting past mathematical trends into the future. The third method, he maintains, is by far the most satisfactory, since it is always based on up-to-date data and developments.

**PROFIT-SHARING PLANS UNDER THE FEDERAL INCOME TAX LAW.** By Isidore Goodman. *Labor Law Journal* (214 North Michigan Avenue, Chicago 1, Ill.), July, 1953. 50 cents. A discussion of the requirements that must be met by profit-sharing plans before participants can qualify for tax benefits under federal law. Pertinent legal provisions and court actions are cited in the author's treatment of such matters as contribution formulae, investment of trust funds, employer-payment deductions, and methods of putting the plan into effect.

**TAX CONTROL OF INVESTMENTS.** By Townley Bale. *The Controller* (1 East 42 Street, New York 17, N. Y.), May, 1953. 50 cents. The author believes that high corporate taxes are largely responsible for the present dangerous accumulation of private debt, inflation of wage rates beyond the limits of productivity, distortion of corporate earnings, and decline in working capital. Tax relief, he contends, would discourage debt financing and stimulate earnings, thus helping to forestall a decline in capital expenditures that might have a damaging effect on the economy as a whole.

## Insurance Management

# PROTECTING AGAINST THE LOSS OF RECORDS

A NUMBER of years ago the fire companies inserted the following lines in their contents form:

> The liability of this company under this item for loss to books of account, drawings, card index systems and other records shall not exceed the cost of blank books, blank pages or other materials, plus the actual cost of labor in transcribing or copying said records.

Thus, the fire policy will not pay for records destroyed or damaged unless duplicate copies or other data is available to make copying and transcribing possible. Under these circumstances many firms have no protection under the fire form.

Contents fire insurance for commercial firms is usually subject to a coinsurance clause. Few firms have considered the value of copying records when they arranged for contents insurance in order to comply with the coinsurance clause and those that do are likely to find that a perpetual inventory is necessary to keep the figure accurate and the effort is too expensive.

A far better solution is to determine the cost of copying your records, including blank material, and increase your insurance accordingly to comply with the coinsurance clause or eliminate this item from the fire policy by endorsement.

The best way to insure records is under a Destruction of Records Policy which is designed for the purpose. It is "all risks" in coverage except against war, wear and tear, gradual deterioration, vermin or inherent vice, and does not insure money or securities. It is not limited to cost of copying or transcribing, as it insures the actual cost of labor, expenses, and material necessary to reproduce or replace the records.

Subject to the few exclusions mentioned above, the Destruction of Records Policy not only offers protection against more perils than the fire contract but provides coverage on records that must be replaced or reproduced when copying data is not available. It also can provide coverage on records that cannot be replaced, such as mailing lists with previous purchase notations, original prints of subjects no longer living, and similar records that are not replaceable.

The types of records that usually influence the purchase of a Destruction of Records Policy in general are: accounting; bookkeeping; invoicing; cost; taxes; payroll; Social Security; indexing; personnel; original drawings, complete or in process; Van Dykes; blueprints; sketches; photographs; specifications; engineering; contracts; mailing lists and stencils.

Another kind of records protection that few firms can afford to be without is accounts receivable insurance. With very few exceptions, this type of protection is as important as insurance on the building and contents. An impartial survey of the credit histories of one hundred concerns who experienced serious loss of their records shows that 43 per cent did not resume business.

The accounts receivable policy insures actual loss sustained by the assured through inability to effect collection of unpaid balances or accounts, but only

when inability to effect collection results directly from loss of or damage to the assured's accounts receivable records.

The policy is "All Risks" except for loss or damage caused by or resulting from any dishonest, fraudulent or criminal act committed by or in collusion with an officer (if a corporation) or a partner (if a copartnership) of the assured, and war.

The policy also covers: interest charges on any loan to offset impaired collections pending adjustment incurred in reestablishing lost or damaged accounts receivable records, and collection expense in excess of normal collection costs made necessary by loss or damage to the assured's accounts receivable records.

The adjustment of loss is as follows: In the event that the assured cannot accurately establish the total amount of accounts outstanding as of the date loss or damage occurs, the amount of loss is estimated on the basis of the assured's monthly statements.

It is usually agreed that in determining the amount of the insurer's liability for any loss or damage, there shall be deducted from the total amount of accounts the value of accounts evidenced by records not lost or damaged, or otherwise established or collected by the assured. A certain allowance is also made for probable bad debts which would normally have been uncollectible by the assured. On deferred payment accounts, unearned interest and service charges are deducted.

The amount of provisional advance premium is based on the monthly average amount of accounts outstanding for the 12 months prior to date of policy issuance.

—From an address by URBAN M. LESLIE before The New Mexico Association of Insurance Agents.

## *Insurance Reserves: Private Companies Outstrip the Government*

THOUGH the government increased its efforts in the insurance field between 1951 and 1952, private insurance companies held more of the nation's insurance reserves than did the government. Figures for 1952, released in the annual Department of Commerce national income report, show that of the $9,380 million in insurance and pension reserves (compared to $8,230 million in 1951), $4,790 million was in private insurance, while $4,590 million was in government programs. In 1951, $4,040 million was private and $4,190 million was government.

The tremendous scope of federal programs was evident from the fact that contributions for federal social insurance alone totalled $7,459 million in 1952 ($7,086 million in 1951 and $4,937 million in 1949), while contributions for state and local social insurance added another $1,184 million, up slightly from $1,087 million during the previous year.

Consumers were estimated to have spent $2,815 million in 1952 for "expense of handling life insurance," $63 million for mutual accident- and sick-benefit associations (net payments), and $81 million for fire-and-theft insurance on personal property (net payments).

Payments for "expense of handling life insurance" were up from $2,589 million in the previous year, while mutual accident- and sick-benefit payments rose from $60 million and fire-and-theft insurance, from $77 million.

Net payments for accident and health insurance totalled $548 million in 1952, compared to $446 million the year before.

—*Insurance Advocate* 8/15/53

# TAX ASPECTS OF KEY-MAN INSURANCE

THE DEATH OF THE president of a corporation, a partner in a partnership, the manager of a sole proprietorship, or other key personnel can often result in serious financial loss for the business. Key-man insurance, which is designed to compensate for losses of this kind, in some cases offers extra benefits, particularly from the tax standpoint. Sometimes, however, the opposite is true.

If the business takes out and pays premiums on a policy of which it is the beneficiary, the proceeds will be exempt from income tax even though they exceed the total premiums paid. The insured individual won't be taxable on the premiums, nor will his estate have to include the proceeds. However, the firm cannot take a deduction for the premium payments.

Although the proceeds may not be included in the insured key man's estate, they will be considered in valuing the corporation or partnership of which he is a stockholder or partner. Consequently, the value of his stock or his partnership interest for estate tax purposes will be affected. However, the increase in corporate assets on account of the proceeds may be wholly or partly counterbalanced by the loss the concern suffers through the death of the insured. In that case, the value of his interest would be similarly reduced.

For the close corporation whose few stockholders are also officers, insurance can give a better long-term pay-off than dividends. Furthermore, since earnings used to pay premiums are considered used for a business purpose, they will not be included in determining whether the company has unreasonably accumulated earnings.

There is, however, a danger in key-man insurance used to cover a sole stockholder, or one who completely controls the corporation. Because of his stock ownership or his control, the Treasury may decide that the business is his "alter ego." If it does, the premiums may be considered the equivalent of a taxable dividend to him. In addition, if the Treasury considers that he has paid the premiums indirectly, the proceeds will be included in his estate, even though they are paid to the corporation. There is also a possibility that the increase in corporation assets on account of the proceeds may be used to boost the value of his stock for estate tax purposes. The result would be income tax on the premiums and possibly a double estate inclusion (the insurance plus the value of his business interest increased by the insurance—though the estate would actually get the benefit of only one of these).

If the proceeds are included in the owner's estate solely because of the payment of premiums and not via the increased stock value, there's still a disadvantage: The basis of the stock to his heirs wouldn't reflect the increase in corporate assets due to the insurance proceeds. A lower basis could mean a high tax cost to the heirs if they sell their stock, or if the proceeds are taken out of the corporation in a liquidation.

Should the Treasury not apply the "alter ego" rule, the estate would merely reflect the insurance as an increase in stock value, and the heirs would have an equally higher basis on the stock.

A transferred policy should not be used for key-man insurance in most cases. The business should take out a new policy, pay the premiums, and have all the incidents

of ownership. If the business pays for the transfer of an existing policy on a key man's life, it will be taxable on part of the proceeds it receives. In addition, the insured's estate may have to include part of the proceeds. If the insured transfers an existing policy without consideration, the business won't have to pay income tax on the proceeds. However, there may be a gift tax on the transfer, and the insured's estate will probably be taxable on at least part of the proceeds it receives.

—*Tax Aspects of Life Insurance* (Research Institute of America, Inc., 292 Madison Avenue, New York 17, N. Y.), February, 1953, p. 15:2.

## *The Insurance Buyer Picks a Partner*

WHEN A BUYER picks his insurance agent, he's picking his partner for protection. This is a partnership which can be disastrously expensive if the buyer makes the wrong choice.

I have often been asked how I would pick my insurance partner if I were a buyer. Like R. B. Gallagher, manager of Philco's insurance department, I would insist that my agent provide:

1. A real knowledge of insurance. I would not buy on friendship.
2. A claim service which would help me collect my true loss, neither more nor less.
3. Young blood to keep the agency abreast of the times if the principals have reached an advanced age.
4. The ability and willingness to make an intelligent survey or analysis of my protection needs.
5. That my insurance would be placed in companies of unquestionable integrity and financial responsibility.
6. A thorough knowledge of the competitive market so that my cost would be as low as consistent with sound protection.

—JOHN ADAM, JR., in *The Centralizer*

## *Why Fire Losses Are Mounting*

THE NATION'S $815-million fire loss for 1952 represents an increase of 11.6 per cent over 1951's $730-million total. The factors responsible, according to the National Board of Fire Underwriters, are rising prices, mounting production, and greater values exposed to fire.

Just 25 years ago, property loss in the United States approximated $473 million. In other words, losses have increased 70 per cent, dollar-wise, since that time. In these same years, the population of the United States has grown by 35 million. However, during the same period, business activity has increased approximately three times, so fire losses have relatively declined about 40 per cent.

The largest known cause of fires during the past 170 years continues to be smoking and matches. Some 559,000 fires since 1943, or 25 per cent of the total number of claims, have been traced to this cause.

—*Rough Notes* 6/53

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NOTE ATTACHED by a widow to one of the many forms she had filled out for the insurance company: "You have asked me to fill out so many proofs of claim and I've had so much trouble getting my money that I sometimes wish my husband hadn't died."

—*The Weekly Underwriter* 2/7/53

## WHAT MANAGEMENT SHOULD EXPECT FROM THE APPRAISER

PROPERLY prepared and maintained, an appraisal is a valuable aid to both the assured and the insurer in the event of disaster from an insured peril. It facilitates the demonstrations of values and loss, which is the property owner's responsibility. Moreover, it aids in the verification which the adjuster is obliged to perform before making recommendations to his principals, the insurance company.

Through the completed appraisal, the appraiser provides his principal, the property owner, with the knowledge of values exposed to risks, permitting intelligent arrangement through his insurance broker or agent for proper insurance coverage before the occurrence of disaster. The adjuster completes a similar survey and determination after damage from an insured peril, in addition to his determination of values destroyed.

Sad is the case where both insurance and claim are based on an improper appraisal, inadequate or inaccurate to the extent of misguiding the property owner and his insurance adviser in the determination of insurance carried, and resulting in insufficient coverage. It is unsatisfactory, too, for the assured to learn during the course of an adjustment that as a result of an improper appraisal he has been paying insurance premiums on values which are not in existence or in excess of actual values.

Regardless of the completeness and correctness of the work performed in producing an accurate appraisal, its value is not alone in the totals established. If to be used for insurance purposes, the completed appraisal must reflect the basis of determinations in such detail to be completely useful for such purposes, including the full and complete inventory and descriptions necessary for verification of both value and loss in the event of disaster.

If the subject be a building, a sufficient description is desirable in the event of destruction to permit an independent calculation of replacement cost, which would embrace—in addition to measurements and general description of the building—full description of foundations and footings below and above ground, girds, joists, studs, plates, etc., with the sizes and centres, millwork, plaster, paint, floors, sheet metal, hardware, and all components of the building. Carpentry and millwork labor, insurance, tax, architect's fees, and contractor's profit are calculated separately and it is desirable that they should be reflected in the appraisal.

The appraisal of values, both building and equipment, should be sufficiently detailed to permit the isolation of items which may be excluded from the insurance coverage.

—GEORGE K. BOLT in *Technical Valuation.*

**FALL INSURANCE CONFERENCE**

***The Fall Insurance Conference of the American Management Association will be held on Thursday and Friday, November 12-13, at The Drake Hotel, Chicago.***

### *Facts on Small-Firm Pension Plans*

OVER 120 different methods of determining retirement income were found among 317 pension plans of smaller employers recently surveyed by the *Employee Benefit Plan Review*. All the plans have less than 100 employees participating. About 36 per cent of the plans provide retirement income by taking a percentage of the employee's annual pay and multiplying it by his years of service, while 29 per cent provide for a flat percentage of pay, usually subject to a minimum number of years of service.

In establishing eligibility for participation, 62 per cent use a minimum age-plus-length-of-service requirement, age 30 and three years of service being most popular. On the average, 36 per cent of the total number of employees working for the firm are eligible to participate.

About 95 per cent of the plans allow for credit—either in cash or in paid-up retirement income—on some part of the employer's contribution to the plan, in the event the employee leaves the firm before he reaches 65.

—*Insurance Advocate* 4/25/53

## Also Recommended • • •

**HOW TO SELL THE BIG BUYER.** By H. E. Towner. *Rough Notes* (1142 North Meridian Street, Indianapolis, Ind.), June, 1953. 35 cents. An insurance manager discusses what he expects from his agent. The most important factor, he feels, is service, based on a thorough knowledge of the firm's operations and understanding of its problems, resulting in a plan which is tailored to fit the special needs of a particular company. Moreover, the agent should be prepared to extend his service beyond the date the contract is signed, in order to make certain that the policy is adapted to changing conditions.

**FIRE SAFEGUARDING WAREHOUSES.** Available gratis from the National Board of Fire Underwriters, 85 John Street, New York 38, N. Y. A survey of current practices and recommended techniques in the field of warehouse fire prevention and protection. Subjects covered include building evaluation, storage practices, salvage operations, maintenance and housekeeping, and outdoor storage. An appendix presents brief analyses of typical recent warehouse fires.

**INSELMAN OUTLINES DEVELOPMENTS OF AMERICAN MARINE INSURANCE MARKET.** *The Eastern Underwriter* (93-99 Nassau Street, New York 38, N. Y.), August 28, 1953. 25 cents. Stressing the desirability of fewer restrictions on the free flow of international insurance, the address reported in this article describes the efforts of such groups as the Hemispheric Insurance Conference to reduce foreign discrimination against American marine insurance companies. Also discussed are new approaches to the problems of losses by theft, pilferage, and inadequate packaging.

**WORKMEN'S COMPENSATION IN THE UNITED STATES: OCCUPATIONAL DISEASES.** By Bruce A. Greene. *Monthly Labor Review* (Superintendent of Documents, Washington 25, D. C.), July, 1953. 55 cents. Some provision for benefits for workers suffering from occupational disease is now made in 52 of the 54 workmen's compensation laws of the states and U. S. territories, and in many cases there has been a shift from partial to full coverage, in recognition of new hazards created by changing industrial processes. In answer to the argument that full coverage would result in a flood of claims for compensation for non-occupational diseases, the author cites the negligible insurance-rate rise in states where the change has been made.

**PENSION PLANS UNDER COLLECTIVE BARGAINING AGREEMENTS: TYPES AND AMOUNTS OF BENEFITS.** By Evan K. Rowe. *Monthly Labor Review* (Superintendent of Documents, Washington 25, D. C.), July, 1953. 55 cents. Based on an analysis of 300 pension plans covering almost six million workers, this article describes the requirements for participation and the types and amounts of benefits provided under various kinds of retirement plans.

# Survey of Books for Executives

**SOCIAL RESPONSIBILITIES OF THE BUSINESSMAN.** By Howard R. Bowen. Harper & Brothers, New York. 1953. 276 pages. $3.50.

***Reviewed by Harry A. Bullis****

Since business plays such a vital role in America, affecting the lives of people in every major sector of the economy—stockholders, workers, customers, and suppliers—the decisions of businessmen are exceedingly important to society.

The author of this volume defines the "social responsibilities of businessmen" as "the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society." What he calls the "doctrine of social responsibility" implies that voluntary assumption of such social responsibility is practicable and desirable in a free society which is working toward the goals of economic progress, higher standards of living, personal security, economic stability, freedom, and other desirable objectives.

Little disagreement exists in regard to these objectives, but conflicts arise over the ways of attaining them. Under a laissez-faire system, self-interest was paramount, and people failed to accept the moral responsibilities necessary for the development of the goals of society. The result was government action toward greater social control over economic life and what may be termed "welfare capitalism."

The author points out that self-interest is not necessarily inconsistent with the interests of society and that the assumption of social responsibility by businessmen is a partial alternative to socialism. However, business men need to reconcile their self-interest with the self-interest of the other groups—consumers, farmers, and workers.

* Chairman of the Board, General Mills, Inc.

Ownership of property is not an inherent right. The owner is a trustee accountable to God and society. Therefore, property rights are justified to the extent that the welfare of society is served by private, individual administration of property and wealth.

The businessman believes that there must be increasing production if we are to have economic progress, and he believes that profits are the best incentive to increasing production. He regards management as a profession with basic ethical principles. Management must maintain a balanced view of the interests of owners, employees, and the public.

The past fifty years have seen great changes in public opinion and political objectives. Businessmen see the need of educating the American people in the ideology of the free-enterprise system; they should also see the need of mingling with other groups of society in order to comprehend the viewpoints of these groups. In other words, businessmen themselves need to be educated if their decisions are to be made in the best interests of society. Wise businessmen are developing broad policies with respect to human relations, local community relations, participation in government, education, religion, and recreation. They should also be anxious to have their judgment checked and criticized by these other groups.

Businessmen are concerned about their social responsibilities because they recognize that our free-enterprise system has had to be modified in order to meet more fully the aspirations of the American people, and that further modification may lie ahead.

Naturally, the doctrine of social responsibility is open to the criticism that not all social gains add to the flow of goods and services; instead they may add to costs. The author points out that our standard of living consists of two parts: "that which derives from the conditions under which production is carried on and that which derives from the

goods and services resulting from that production." The problem is to achieve a balance between the two.

Legally, the management and directors of a corporation are trustees for the stockholders; and questions have been raised as to how far the directors may go in using the funds of the business for social welfare. However, in the eyes of the public, corporations have responsibilities to society as well as to stockholders. The courts are taking liberal views of the discretion permitted directors in making contributions to social and educational projects.

Mr. Bowen does not attempt to settle any of the issues which he so ably discusses. He succeeds admirably in bringing into focus the complex problems which face the business man in developing a basic philosophy for economic and social progress and the acceptance of social responsibility in keeping with the economic power which he exercises through his business decisions. He concludes that a great deal of study and research is necessary and warns that the problems of our society cannot be solved by merely turning the responsibility over to business. The role of business, however, is important, involving both leadership and cooperation.

A commentary by Dr. F. Ernest Johnson endeavors to view Mr. Bowen's discussion in the perspective of Christian ethics. He believes that the natural self-interest of business men needs greater discipline than has been developed thus far. He emphasizes the distinction between the profit system and the profit motive, and calls attention to the moral hazards which accompany large income. Dr. Johnson does not feel that competition is contrary to Christian ethics; he regards it as a device to make sure that everyone puts forth his best efforts.

However, he finds that "the contrast between what is and what Christian businessmen agree ought to be is shockingly great." The public is mindful of the doctrine of social responsibility, and its criticism of business must be faced by business men. Americans instinctively favor the enterprise economy and would respond if business men should put their highest standards into practice on a wide scale. Dr. Johnson believes that "the most effective corrective influence is self-criticism, not that which comes from without." Free enterprise is not inconsistent with Christianity but needs the discipline of Christian conscience.

This reviewer can highly recommend *Social Responsibilities of the Businessman* to everyone who is giving thought to the social unrest which is so evident everywhere. It will be a great help in developing sound basic philosophy in business.

**ETHICS FOR MODERN BUSINESS PRACTICE.** Edited by J. Whitney Bunting. Prentice-Hall, Inc., New York, 1953. 269 pages. $5.15.

***Reviewed by Julius E. Eitington****

Recognizing the subjective nature of nis topic, but with a firm finger directed at the historical and current record, Dr. Bunting has developed a well-balanced work dealing with the little-discussed area of business ethics.

The theme of this much-needed study is that, although ethics have improved steadily in American enterprise, "the greatest area for moral advance in economic life still is ahead." Also demonstrated cogently throughout the volume is the concept that the profit motive and ethics in business are highly compatible. In fact, good ethics simply is good business.

Business morals in this country developed slowly, principally because of the low regard of society for those who entered business (wealthy men ordinarily sent their sons to college to become lawyers, doctors, teachers, or ministers); the large flux of immigrants who brought different culture patterns to the United States; and the large and rapid growth of business between 1860 and 1910.

Morally, the new industrialism lowered standards. Making money in any way possible, monopoly, and exploitation of natural and human resources became the trademark of what has been termed "the acquisitive so-

* Chief, Classification Division, Federal Civil Defense Administration.

ciety." It was not until about 1900 that there was a turn to higher moral standards in business, brought about by the awareness of an aroused public, the gradual change to a buyers' market, and the need for national markets and national good will. By 1915 many businesses had adopted codes of ethical conduct.

Various federal and state laws, buttressed by court decisions, also established a higher moral tone for American business. This was particularly true in the period 1933 to 1939, which Dr. Bunting calls "the first major attempt of the government to control business operation and practice and to require conduct of business affairs on a specified moral level." Today, the concept of responsibility to the general public has become more and more widespread in American business enterprise.

A general statement of ethical principles in relation to human conduct, religious beliefs, and emotions serves as the framework for the book's extended treatment of the problems of business ethics. This is followed by an account of the development of ethical standards in business in general and American business in particular. To a great extent, the author relies on the "case-study" method to develop his thesis. Ethical problems and progress are thus portrayed in the fields of commercial banking, investment banking, advertising, sales, chain-store operation, and insurance. These vital phases of American business are analyzed by executives of the industries concerned.

Also considered are the internal management aspects of business ethics. Although "The Business Executive" is discussed somewhat briefly, it is made clear that proper selection and training are the means of securing executives who are conscious of the importance of ethics. In "Ethics in Personnel Administration" a number of pertinent questions in this significant management area are raised and answered. This reviewe., however, is inclined to question the assertion that "too little is yet known of the manner of treating human beings in the industrial enterprise" (p. 191). Actually, most of the difficulty is the gap between theory and practice, rather than the lack of usable personnel research. The chapter on "Ethical Practice in Labor Organization" is treated with considerable freshness and objectivity.

Although Dr. Bunting was assisted by eight co-authors, the volume is surprisingly uniform in scope, tone, and point of view. However, some readers may feel that since the book draws heavily upon the experience of members of the business world, it might have been desirable to have added other points of view—those of, say, a social scientist, a labor union economist, or a representative of a consumers' group.

The skeptic and defeatist will be disappointed after perusing the materials devoted to remedial measures. For here is presented a positive program for ethical improvement. Much of this task will fall upon the business community, with particular emphasis on the professionalization of its executives. However, the government, educators, the public, and the church also have vital roles to play.

Anyone concerned with the augmented health of American enterprise should read this work more than once. The educator and trainer of future and present business executives will wish to add it to his management library.

**WAGE DETERMINATION UNDER NATIONAL BOARDS.** By Abraham L. Gitlow. Prentice-Hall, Inc., New York, 1953. 248 pages. $5.35.

***Reviewed by F. Theodore Malm****

This volume comprises an examination of the criteria employed in the wage-adjustment cases processed by several national boards during the period 1918-1952. Its author, A. L. Gitlow, is Assistant Professor of Economics in the School of Commerce, Accounts, and Finance of New York University.

In Part I, "A Theoretical Consideration," he analyzes the nature and effects of several

* Assistant Professor of Business Administration, and Assistant Research Economist in the Institute of Industrial Relations, University of California, Berkeley.

factors often referred to in discussions of wage-setting under collective bargaining and arbitration: productivity (chapter 1); ability to pay (chapter 2); comparative wages, including here the comparison of wages both on an *area* basis and on an *industry* basis (chapter 3); cost of living—i.e., price indexes (chapter 4); and minimum budgets (chapter 5).

In Part II, "An Analysis of Experience," he discusses the history, organization, and policies of several national wage boards: the National War Labor Board of World War I (chapter 6); the National Defense Mediation Board, the National War Labor Board, and the National Wage Stabilization Board of World War II (chapters 7-8); the Wage Stabilization Board of 1950-1953 (chapters 9-10); and the Railway Boards and the 1949 Steel Board (chapter 11).

In the concluding section he undertakes a brief evaluation, using considerations drawn from both his theoretical analysis and his review of experience.

Many readers may find this book a useful history of national wage-stabilization programs from 1918 to 1952. However, it may be subjected to some criticism. The presentation could have been improved in several respects: for one thing, the plan of the book is explained only very briefly in the preface, and most of the following chapters seem to stand alone, with little or no transitional material to link them more closely or smoothly together. Only two of the chapters contain final sections of conclusions or summary, although these would sometimes have been appropriate elsewhere as well. (After reading pp. 112-179 on wage controls in World War II, one might appreciate an ending less abrupt and more evaluative than this: "Executive Order 9809, dated December 12, 1946, provided for the termination of the National Wage Stabilization Board, effective February 24, 1947"—[p. 179]. Also, the author relies excessively on quotations or summaries from the writings of others, e.g., Jules Backman on productivity (pp. 10-12) and on budgets (pp. 82-88); and Frederic Meyers on railway boards (pp. 222-236). Finally, some of the treatment may be somewhat unbalanced for a work purportedly aimed at "weighing the significance and relevance of . . . [wage] . . . criteria" and "judging the statistical treatment used in the application of each of the criteria" (p. v). For instance, the discussion of the NWLB of World War I contains approximately half a page on the organizational units responsible for files, mailing lists, buildings and equipment, and stenography and typewriting (p. 94). And, while the treatment of cost-of-living wage adjustments expends about nine pages on the procedures currently employed in the construction of the USBLS Consumer Price Index (pp. 65-74), the heated controversy of World War II concerning the accuracy of that index is dismissed in a sentence or so (p. 77).

The theoretical analysis may also be questioned. In particular, the comments on wage rates and the allocation of the labor supply (pp. 31, 238) seem to assume that it is necessary that expanding firms or industries must attract labor by offering higher wage rates, ignoring the suggestions of Lloyd Reynolds, Clark Kerr, and the late Lloyd Fisher that wage levels may remain constant while adjustment takes the form of hiring more workers at a given wage rate, (by hiring from among the unemployed, by lowering the hiring standards, or otherwise). The findings of Reynolds and Charles A. Myers and W. Rupert Maclaurin concerning the substantially independent behavior of wage rates and labor supply in local labor markets appear to contradict Prof. Gitlow's assertion that "in terms of wage relationships internal to a labor market, boards should relate their wage decisions to the existence of a labor surplus or shortage to any given industry or firm" (p. 33), and some further discussion of the point might be useful.

Finally, Prof. Gitlow does not make entirely clear the standards or objectives by which a wage stabilization program or wage-setting criteria should be evaluated, although this may be an important part of the task of theoretical analysis.

However, despite these critical comments on

certain aspects of the author's presentation and analysis, this reviewer feels that much of the book, particularly Part II, serves as a useful historical review of national wage stabilization boards.

**EMPLOYMENT AND WAGES IN THE UNITED STATES.** By W. S. Woytinsky and Associates. The Twentieth Century Fund, New York, 1953. 777 pages. $7.50.

Facts, historical trends, and economic policies related to collective bargaining issues are contained in this study of wages and employment, based on five years of research and designed to provide a common frame of reference for management and labor policymakers and negotiators.

The research section of the volume covers four major areas: 1) theoretical, historical, and economic background of wage negotiations; 2) institutional setting of collective bargaining and wage determination; 3) problems of employment and unemployment; and 4) problems of wage rates and earnings.

The report concludes that the goods and services the American worker can buy with an average hour's pay can continue to rise in coming decades, the rate of improvement in living standards enjoyed over the last 50 years being either maintained or improved. This prediction is based on the probability that technological advances will continue. Wage earners as a group cannot increase their real earnings much faster than the over-all rise in the nation's productivity, says the study—but this does not mean that wages could be set by a central authority according to a formula, such as a productivity formula. The authors believe that collective bargaining is the only basic, workable wage-setting process consistent with our democratic tradition. They stress, however, the value of finding long-range policies which will guide wage negotiations to some extent.

The study concludes with a report from the nine-man committee which conducted the investigation. The committee members also submit a wide range of opinions, through notes and supplementary statements attached to the committee report, on general policies that might be followed by labor and management in setting wage rates. The committee report stresses that more attention must be given by the parties in collective bargaining to the possible effects of their actions on the economic system as a whole.

Other recommendations and conclusions:

No set of mechanical rules, based on rigid standards of wage determination, should be substituted for negotiation, and compromise of conflicting pressures and interests, in the wage-setting process.

Management can improve employment conditions by hiring on merit, assigning employees to jobs for which they are best fitted, and increasing the security of job tenure and the regularity of employment.

Unions should provide members with better information on job opportunities, eliminate race and sex discrimination in membership, and work with management to get workers into expanding industries and out of declining ones.

If government does its part in preventing inflation, unions might in general be expected to accept raises approximating the probable rate of increase of output per man-hour for the economy as a whole.

**MANAGEMENT-LABOR RELATIONS HANDBOOK.** Associated Industries of Cleveland, NBC Building, Cleveland, Ohio. 316 pages. $10.

A comprehensive guide to personnel practices in a typical American industrial area, this volume presents graphically a detailed picture of wages, insurance benefits, and employment conditions in 333 Cleveland companies with over 200,000 production and office workers. Since the area surveyed is said to mirror trends throughout the country,

the findings should be of interest to industrial relations people generally. The policies are first described in general and are then classified by company size, employees' union affiliation, and industry.

The section on general practices affecting hourly paid factory employees covers three types of policies: 1) those which are normally administrative and are decided by management unilaterally (absences, age limitations, physical examinations, etc.); 2) those which normally fall within the scope of collective bargaining but which non-union plants should take special care to handle equitably (call-in pay, lay-offs, leaves, promotions, recall, seniority, etc.); and 3) those in the economic fringe category (bonuses, holidays, insurance, etc.).

The Cleveland manufacturing employee has greatly improved his lot since 1950 as pattern bargaining, particularly on fringe benefits, has become more widespread, the survey indicates. His straight-time average hourly pay, 30 cents higher than it was in 1950, is now $1.83 an hour. As for fringe benefits, the report states:

"The influence the Wage Stabilization Board exerted on industry to standardize employee benefits converted the so-called fringe to a full-length tassle."

In 1950, only 64 companies in the Cleveland area picked up the entire bill for life insurance. One hundred eighty shared the cost with their employees. Today, 112 have company-paid group insurance, while 135 have contributory plans. The amount of insurance protection has frequently been increased.

The report includes a schedule of going rates on 266 industrial jobs and a report on contemporary wage settlements—which predicts that the average across the board wage increase this year will be from 5 to 7 cents and that the cost of fringes will be between 1 and 2 cents.

A new feature of the handbook is a chart illustrating the normal industrial relations growth of a manufacturing plant, and designed to show small companies, particularly, the value of sound employee relations policies. Union organization drives usually occur when a firm is in the 50-100 employment category, the chart shows. A personnel director is usually not hired until the firm has between 100 and 500 employees—usually around 250.

## Briefer Book Notes

**[Please order books directly from publishers]**

### GENERAL

**ORGANIZING CORPORATE AND OTHER BUSINESS ENTERPRISES.** By Chester Rohrlich. Matthew Bender & Company, Inc., 443 Fourth Avenue, New York, N. Y., 1953. 506 pages. $12.00. This text, which has been revised in the light of new statutory enactments and cases, presents in convenient form a general survey of the legal problems attendant upon the organization of a business enterprise. Although the plan of the book is "suggestive, rather than exhaustive," quantities of source material are cited for further research on specific subjects. Topics covered include forms of business organization, financing, issuance of stock, and use of subsidiaries.

**THE AMERICAN COMPETITIVE ENTERPRISE ECONOMY.** By Emerson P. Schmidt, R. Buford Brandis, W. Glenn Campbell, and Thomas F. Johnson. Chamber of Commerce of the United States, Washington, D. C., 1953. 17 pamphlets. 50 cents each, $6 the set. These pamphlets were designed as chapters of an economics primer for adult study programs and include a guide for their use in discussion groups. They cover such topics as money, income, and jobs; prices, profits, and wages; taxing, spending, and debt management; and the ethics of capitalism.

**INDUSTRIAL FILM BIBLIOGRAPHY.** National Metal Trades Association, 120 South Michigan Avenue, Chicago 3, Ill. Third edition, 1952. 100 pages. $2.00. Titles listed in this volume cover such topics as personnel management, health and safety, time and motion study, and employment of the handicapped, in addition to a wide range of technical subjects. Data are provided on price and rental terms, running time, forms in which films are available, and brief synopses of their content. A supplement included with the main volume brings listings up to date as of May, 1953.

**HOW TO GET AHEAD IN MODERN BUSINESS.** By Harry Simmons. Prentice-Hall, Inc., New York, 1953. 323 pages, $3.95. The principal qualifications that young men and women should possess for successful business careers are outlined and exemplified by personal statements and inspirational success stories of more than 100 top executives, educators, and public figures. The book concludes with a discussion of the author's own formula for self-improvement.

**PRENTICE-HALL CORPORATION COURSE.** Prentice-Hall, Inc., New York, 1953. 1136 pages. $19.50. An encyclopedic compilation of corporation practices, procedures, and laws, heavily documented and thoroughly indexed, designed to serve as a practical and convenient reference on the handling of all legal and other problems of corporate activity. Complete technical discussions are included on such topics as forms, organization, by-laws, financing, dividends, and reorganization. In the section on forms, sample documents are reproduced, and a special section on statutes includes the complete text of a model corporation statute (that of Delaware) and basic sections of laws of every state governing numerous phases of corporation activities.

**WORLD POPULATION AND FUTURE RESOURCES: *Proceedings of the Second Centennial Academic Conference of Northwestern University.*** Edited by Paul K. Hatt. American Book Company, New York, 1952. 262 pages. $3.50. A group of experts in the physical, chemical, biological, and social sciences examine the degree to which science and technology can relieve the pressure of growing populations upon the world's food supply. The book reveals that many barriers lie between the existence of knowledge about agricultural, oceanographic, and conservation practices and their actual application to problem areas. These barriers are not only political and economic but also demographic—that is, increases in the food supply in many areas might result in heightened rates of population increase.

**MANPOWER: THE NATION'S FIRST RESOURCE.** National Planning Association, 1606 New Hampshire Avenue, N.W., Washington 9, D. C. 1953. 56 pages. $1.00. Emphasizing the fact that the Soviet Union is rapidly outdistancing the United States in its supply of technically trained personnel, the authors of this report recommend an intensive re-examination of such matters as draft deferment, recall of military reserves, training for above-average students, and the employment of women, older workers, the physically handicapped, and minority groups. In the author's opinion, the manpower shortages now existing in science, engineering, and other fields are likely to grow more acute, thus making action essential to promote the full utilization of our available manpower.

**TOP MANAGEMENT AND RESEARCH.** By Philip R. Marvin. Christopher Publishing House, Boston, 1953. 120 pages. $5. Approaching industrial research as a top management responsibility and as a major determinant of a company's future profits, the author discusses its history, management's role in it, program evaluation criteria, and research contracting. In view of its brevity, however, this book cannot be considered an exhaustive treatment of the subject.

**AID, TRADE AND THE TARIFF.** By Howard S. Piquet. Thomas Y. Crowell Company, New York, 1953. 358 pages. $4.50. The author believes that the United States is faced with an unavoidable choice between (1) granting further economic aid to foreign countries; (2) reducing or eliminating foreign aid—and suffering a consequent drop in exports; or (3) curtailing foreign

aid, lowering its tariffs sufficiently to encourage imports into the United States and close the "dollar gap." Attempting to support statistically the "trade, not aid" philosophy, he analyzes the probable effects of a total elimination of tariffs under conditions existing in 1951 and finds that relatively minor dislocations of our domestic economy would result.

**TRAFFIC MANAGEMENT IN INDUSTRY.** By Leslie A. Bryan. The Dryden Press, New York, 1953. 452 pages. $5.50. This textbook is intended to answer the need created by the rapid growth of transportation and the consequent rise of traffic management as a specialized profession. After a brief general discussion of the functions of traffic management, the author discusses such factors as the organization and administration of the traffic department, bills of lading and other shipping documents, freight classifications and rates, transportation services, expediting and tracing, handling of claims, relationships with government agencies, and other key aspects of traffic management.

## INDUSTRIAL RELATIONS

**CASE STUDIES IN COLLECTIVE BARGAINING.** By Walter Hull Carpenter, Jr. Prentice-Hall, Inc., New York, 1953. These cases and the accompanying text attempt to provide a basis for appraising the meaning and significance of collective bargaining. The theory behind the process and the aims and strategies employed by labor and management in the various stages of reaching or administering an agreement are explored. Includes a section on third-party settlements of disputes.

**THE RETIREMENT HANDBOOK.** By Joseph C. Buckley. Harper & Brothers, New York, 1953. 329 pages. $5.00. Explores the decisions to be made and the attitudes to be developed by the aging individual who wishes to retire to a new life rather than retire *from* life—with many practical suggestions on health, financial planning, hobbies, sources of extra income, etc. The book concludes with a retirement planning schedule and detailed information on the climate in various areas of the United States.

**ISSUES IN LABOR-MANAGEMENT RELATIONS.** By John Shott. The Public Affairs Institute, 312 Pennsylvania Avenue, S.E., Washington 3, D. C. 76 pages. 50 cents. Examines nine key issues that have caused dissension between management and labor both before and since the passage of the Taft-Hartley Act. These include free speech for employers, revival of injunctions, national emergency work stoppages, outlawing of secondary boycotts, union security, industry-wide bargaining, failure to bargain, loss of voting rights in economic strikes, and non-Communist affidavits. In summarizing the positions of the parties, the author points up some important questions that should enter into any reconsideration of national labor policy.

**STUDENT DEFERMENT IN SELECTIVE SERVICE.** By M. H. Trytten. University of Minnesota Press, Minneapolis, Minn., 1953. 140 pages. $3.00. A defense, analysis, and historical explanation of the current student deferment policy, whereby only students of high intelligence are allowed deferment (and not total exemption), without regard to their fields of specialization. Answering a number of objections to the program, the author points out that the services are deprived of a relatively small number of men, since only 5 per cent of any age group is affected; that civilians as well as those in uniform, contribute to national preparedness; and that it is impossible to foresee what fields of endeavor will be most vital in the future.

**LABOR PROBLEMS: CASES AND READINGS.** By George P. Shultz and John R. Coleman. McGraw-Hill Book Company, New York, 1953. 456 pages. $4.50. A supplement to standard texts in the industrial relations field, this selection of readings on labor issues—as seen by contemporaries and chosen from a wide variety of books, periodicals, conference proceedings, arbitration cases, etc.—covers: the growth, operation, and philosophy of unions; management problems and philosophy; many aspects of collective bargaining; and public policy in labor relations. An introduction to each section underscores the problems and points of view contained in the material.

**JOB EVALUATION IN AUTOMOBILE AND AUTOMOTIVE PARTS INDUSTRIES.** By W. R. Spriegel and E. Lanham. *Personnel Study No. 5*, Bureau of Business Research, College of Business Administration, The University of Texas, Austin 12, Texas, 1953. 188 pages. $1.00. Based on a questionnaire sent to 40 automobile and 236 automotive parts manufacturing companies, this survey covers the practices of the 10 automobile and 54 parts firms found to have formal job evaluation programs. The areas covered are: 1) history of job evaluation in the industry; 2) methods used to secure supervisors' and employees' cooperation; 3) bases for selecting a method of rating the jobs; 4) organization for and conduct of the program; 5) measures taken to insure acceptance and advantages gained from the program; 6) and procedures followed to maintain it.

## OFFICE MANAGEMENT

**FILING FACTS.** By C. R. Chamberlin. National Filing Aid Bureau, 342 Madison Avenue, New York 17, N. Y. 67 pages. $2.50. Work- and cost-saving ideas for keeping records in order or modernizing established filing systems are contained in this book. It deals with basic rules of inspecting, indexing, coding and sorting; handling methods; file location; and types of inexpensive equipment. A chapter is devoted to an outline for an office manual of standard filing practices.

**COST REDUCTIONS IN WIRE COMMUNICATIONS.** By Roy Stone. The Christopher Publishing House, Boston, 1953. 342 pages. $10. Discusses little known facts about telephone and telegraph apparatus—with illustrations of various types of equipment—and service arrangements that will effect economies and improve service in small, medium-sized, or large businesses. Among the topics dealt with are operator training, teletypewriter exchange service, teletype leased lines, and commercial telegrams.

## MARKETING

**THE PSYCHOLOGY OF SUCCESSFUL SELLING.** By Richard W. Husband. Harper & Brothers, New York, 1953. 306 pages, $3.95. Relating tested psychological knowledge to the daily problems of salesmen, this book discusses right and wrong selling methods and approaches to various personality types and sales situations. It includes information on how the salesman should prepare himself, appraise his performance, and develop new opportunities, as well as a chapter on how salesmen should be selected. Written by a professor of psychology with an eye for practical situations and human reactions.

**CREDIT AND COLLECTION KNOW-HOW.** By Robert J. Schwartz and Allyn M. Schiffer. Fairchild Publications, Inc., New York, 1953. 244 pages. $5.00. Outlining for small business men and retailers the procedure for running a successful credit department, this manual discusses credit standards; the duties and position of the credit manager; and methods of filing, collection, exchanging credit information, tracing missing debtors, and dealing with customers under unusual circumstances. The book contains sample letters, a glossary of legal terms, and a chart showing the credit regulations of the 48 states.

**SALESMANSHIP.** By Alfred Gross. The Ronald Press Company, New York, 1953. 562 pages. $5.50. Stressing the importance of studying the market and helping customers gain satisfaction from their purchases, this book describes the role of the salesman in the broad marketing structure and shows how personal selling is related to other branches of marketing, such as advertising, research, and merchandising. Ethical standards for the profession, basic training required, steps to be followed in convincing a prospect, and self-improvement devices are discussed and illustrated with case material.

**MARKETING RESEARCH—SELECTED LITERATURE.** By Hugh G. Wales and Robert Ferber. Wm. C. Brown Company, Dubuque, Iowa, 1953. 218 pages. $5.00. This collection of articles reprinted from professional journals calls attention to operational problems involved in using

various marketing research techniques, including several which, in the authors' view, have previously received inadequate emphasis. These include the Politz and Simmons method of dealing with callbacks, using tape recorders in research, Guttman's scaling technique, and Lucas' controlled recognition technique. The volume includes questions for marketing research students and a bibliography.

## FINANCIAL MANAGEMENT

**TAX SHELTER IN BUSINESS.** By William J. Casey and J. K. Lasser. Business Reports, Inc., 1 Main Street, Roslyn, L. I., N. Y., 1953. 156 pages. $12.50. Examines policies and strategies which businesses are using to minimize their taxes, with particular emphasis placed upon spending tax deductible dollars in a way which will build future capital values. Tax "shelters" discussed here include advertising and promotion, research, leasing of plant and equipment, methods of financing and insurance.

**RECENT PENSION PLANS.** Publication No. B-68. Division of Research and Statistics, Department of Labor, State of New York, 80 Centre Street, New York 13, N. Y., June, 1953. 60 pages. 105 fully or partially developed pension plans, which were established by collective bargaining in New York State between July, 1951, and January, 1953, are analyzed here. This publication supplements bulletin No. B-49 on programs inaugurated earlier. Together, the reports reflect the pension patterns set for one million workers—about 60 per cent in manufacturing industries, with the apparel industry predominant. The large majority of the plans are paid for entirely by the employer, with four out of 10 having bi-partite boards of trustees. All the new plans are funded.

**THE VOLUME OF CORPORATE BOND FINANCING SINCE 1900.** By W. Braddock Hickman. Princeton University Press, Princeton, N. J., 1953. 421 pages. $7.50. Research conducted by the National Bureau of Economic Research has yielded aggregate statistics relating to the volume of new offerings, extinguishments, and outstandings of corporate bonds since 1900; on total new defaults, default settlements, and outstandings in default; and estimates of money flows to and from the corporate sector of the economy arising from transactions in corporate funded debt. The book provides basic statistical series on corporate bond financing in a form useful to investors, government agencies, and students generally; and analyzes and interprets the behavior of these series and their impact upon the economy.

**BUSINESS FINANCE HANDBOOK.** Edited by Lillian Doris, Prentice-Hall, Inc., New York, 1953. 919 pages, $10. Twenty-two experts have contributed to this guide for industrial managers faced with financial problems in daily administration. The handbook places major emphasis upon working capital management, the financial problems of protecting investment in fixed assets, and the administration of business profits. It then covers major phases of planning for growth and financing it by sale of securities, coping with the financial problems of declining businesses, and protecting business against mortality hazards or errors in financial dealings that may involve costly litigation. Outlines of the content preceding each chapter and the extensive index help to make the book a valuable reference work.

**RAISING CAPITAL: HOW AND WHERE.** By Merrill De Voe. Aids Vault, 3757 Wilshire Boulevard, Los Angeles, 1953. 93 pages, $2.75. A concise, non-technical listing of several dozen methods of raising money for personal or business needs, with comments on the potentialities, limitations, and uses of the various systems described. Included are practical techniques designed to fit the requirements of a variety of prospective borrowers.

**HOW TO RAISE CASH—AND INFLUENCE BANKERS.** By Richard H. Richland. Business Reports, Inc., 1 Main Street, Roslyn, N. Y., 1953. 126 pages. $12.50. Fifteen sources for raising operating money are cited in this report, including three which are still in early stages of development: factoring, purchase lease-backs, and "closed-end" non-regulated investment trusts and private venture syndicates. The report indicates how a business should analyze its cash needs and how it can meet the requirements of lenders.

## Briefer Book Notes

**[Please order books directly from publishers]**

**THE DRAMA OF DISPLAY: *Visual Merchandising and Its Techniques.*** By Jim Buckley. Farrar, Straus & Young, Inc., 101 Fifth Avenue, New York 3, N. Y. 1953. 225 pages. $10.

**PUNCH-CARD METHODS: *How to Use and Operate Punching, Sorting, Electronic Statistical, Tabulating, and Accounting Machines.*** By Harry P. Hartkemeier. William C. Brown Company, Dubuque, Iowa, 1952. 360 pages. $5.00.

**BUSINESS LAW.** By Ronald A. Anderson, Dwight A. Pomeroy, and Walter A. Kumpf. South-Western Publishing Company, 634 Broadway, Cincinnati 2, Ohio. 1952. Fourth revised edition. 975 pages. $5.50.

**BUSINESS POLICIES AND MANAGEMENT.** By William H. Newman. South-Western Publishing Company, Cincinnati, Ohio. 1953. Third Edition. 952 pages. $5.50.

**MARKETING IN THE AMERICAN ECONOMY.** By Roland S. Vaile, E. T. Grether and Reavis Cox. The Ronald Press Company, 15 East 26th Street, New York 10, N. Y. 1952. 737 pages. $6.00.

**THE AMERICAN WAY:** *The Economic Basis of Our Civilization.* By Shepard B. Clough. Thomas Y. Crowell Company, 432 Fourth Avenue, New York 16, N. Y. 246 pages. $4.00.

**COMMODITY YEAR BOOK:** 1953. Edited by Harry Jiler, et al. Prepared and published by Commodity Research Bureau, 82 Beaver Street, New York 5, N. Y. 1953. 374 pages. $10.00.

**STANDARD COSTS FOR MANUFACTURING.** By Stanley B. Henrici. McGraw-Hill Book Company, Inc., New York. 1953. New second edition. 336 pages. $5.50.

**MANAGEMENT OF INDUSTRIAL ENTERPRISES.** By Richard N. Owens. Richard D. Irwin, Inc., Homewood, Ill. 1953. 669 pages. $8.00.

**WHAT YOU SHOULD REALLY KNOW ABOUT SELLING.** By Syd E. Wilkinson. Sewilk Publications, Drawer 3111, University City, Missouri, 1953. 288 pages. $5.00.

**BUSINESS ORGANIZATION AND MANAGEMENT.** By Elmore Petersen and E. Grosvenor Plowman. Richard D. Irwin, Inc., Homewood, Ill. 1953. Third Edition. 634 pages. $8.00.

**PRICING, DISTRIBUTION, AND EMPLOYMENT:** *Economics of an Enterprise System.* By Joe S. Bain. Henry Holt and Company, 383 Madison Avenue, New York 17, N. Y. 1953. Revised edition. 732 pages. $6.50.

**CORPORATE FINANCE:** *Principles and Practice.* By Milo Kimball. Littlefield, Adams & Company, Ames, Iowa. 1953. 305 pages. $1.25.

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